

# Public Utilities

Volume XLIII No. 13



June 23, 1949

## UTILITY BILLS IN THE STATE LEGISLATURES

*By Bethune Jones*

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## The Electric Utility Industry Meets Growing Demands

*By H. S. Bennion*

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## Can Stockholders Accept the "Welfare" State?

*By Wilbur J. Brons*

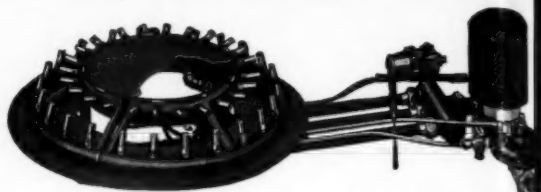
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# Public Utilities

## FORTNIGHTLY

VOLUME XLIII

JUNE 23, 1949

NUMBER 13



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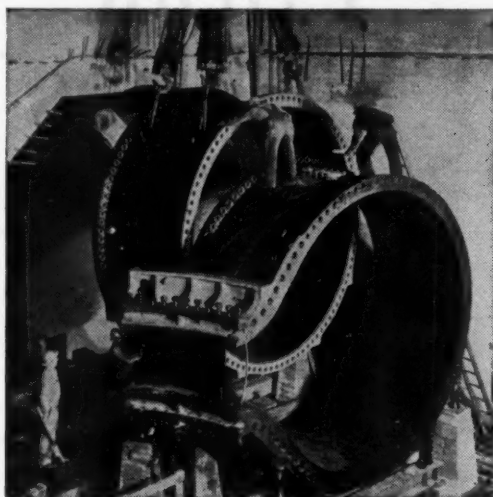
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## Pages with the Editors

JUDGING by the views expressed at the recent seventeenth annual convention of the Edison Electric Institute by various electric utility executives, the hullabaloo over the "power shortage" seems to be passing its peak. From other neutral and objective sources, we get the same impression; namely, that the easing pace of general business production is taking some of the "heat" off the power load, although there are still tight spots here and there.

BUT by the same token the "miracle" of a constantly falling trend in electric power rates, in the face of increasing prices in almost every other major line, also seems to be passing. John P. Callahan of *The New York Times* quoted, in a dispatch from Atlantic City on May 30th, such industry leaders as Elmer L. Lindseth, president of the Cleveland Electric Illuminating Company, as foreseeing "inevitable" electric rate increases. In other words, we seem to be about to go through a "correction phase," whereby a slacking, in industrial production generally, will enable the nation's electric power utilities to meet demands a little more comfortably, but at the expense of a necessary increase in revenue

per unit of service consumed, to offset rising operating expenses.

We are fortunate in having available for this issue an authoritative analysis of the present position of the electric power industry with respect to the growing demands for its service over the long run. This is the article entitled "The Electric Utility Industry Meets Growing Demands" by H. S. BENNION, vice president and managing director of the Edison Electric Institute, beginning on page 846.

"COLONEL BENNION," as he is known to his many friends in the electric industry, is a graduate of the U. S. Military Academy ('12) and the United States Engineering School ('15). He was born in Vernon, Utah, in 1889. After early service in Texas and the Philippines he became commander of the First Battalion, Second Engineers, American Expeditionary Forces, 1917, and after World War I served with the United States Liquidation Commission until 1920. COLONEL BENNION was assistant chief engineer of the Federal Power Commission from 1920 to 1924 and served two years as district engineer at New Orleans. Entering civilian life he joined the old National Electric Light Association in 1926. Became assistant director in 1932 and continued in that position with the subsequent organization of the Edison Electric Institute. He became vice president and managing director of the EEI in June, 1939.

\* \* \* \*

MOST of the state legislatures have closed shop for the year 1949—the "big biennial"—in which 44 out of the 48 states scheduled regular legislative sessions. BETHUNE JONES, of Red Bank, New Jersey, legislative observer and researcher, has kept close tabs on the work being done in the state capitals of special interest to the public utility industry. In this issue we present, as the opening



H. S. BENNION



# REMINDER —to Utility Executives

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article, a semifinal "recap," so to speak, on the various bills—passed, pending, or defeated—which made their appearance since the beginning of the year. It was a rather heavy "seed" crop in proportion to the number of such initial bills. But the number of final enactments does not seem very far out of line with the volume of other legislative biennials.

\* \* \* \*

WE hear a great deal these days about the "welfare state" and we hear it increasingly in connection with government ventures looking in the direction of public utility enterprises. An important independent telephone industry executive recently said about this development to an industry audience at Los Angeles:

To me, this form of Socialism is simply an attempt by certain groups, or segments, of the population, to use their mass voting power as a free ticket to ride on the government gravy train at somebody else's expense. And yet, there has never been an instance in either ancient or modern history, including those of countries which have ended up on history's ash pile, where such a ride did not eventually end up the same way. The "welfare state" became a "farewell state." It starts out with the idea of the government working for everybody, and it ends up with everybody working for the government.

More and more people try to get in on the benefits. Inevitably there comes a point at which there are too many people riding and not enough pushing. By pushing, I mean tax-paying private business enterprise which must furnish the driving power in any government operation. When that point is reached, the old government gravy train slows down, stops, and eventually collapses. And just about the time when the dissatisfied passengers on the gravy train get out and start scratching their heads, and muttering something about that being "a heck of a way to run a railroad," some smart boy in the crowd comes up with the same old answer—dictatorship.

BUT what does the stockholder think about the trend: In his article "Can  
JUNE 23, 1949



WILBUR J. BRONS

Stockholders Accept the 'Welfare State?' (beginning on page 856) in this issue, WILBUR J. BRONS, chief editorial writer of the *Chicago Journal of Commerce*, has attempted to analyze the security holder's reaction. MR. BRONS is a newspaperman of thirty-three years' experience who also has written and lectured on economic subjects for more than a decade. Until recently he wrote the daily column "Round Table" for the *Chicago Journal of Commerce*. He also has served with the Associated Press and the International News Service.

\* \* \* \*

AMONG the important decisions printed from *Public Utilities Reports* in the back of this number, may be found the following:

THE New York commission discusses the question of requiring an electric company to place lines underground. (See page 65.)

USE of the straight-line depreciation method was held by the District of Columbia commission to afford equity to both investors and customers of a gas company. (See page 82.)

THE next number of this magazine will be out July 7th.

*The Editors*



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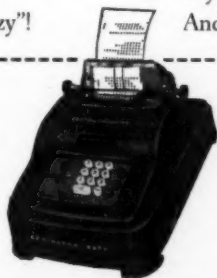
### BILLING CLERK:

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On this one calculator;  
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# Coming IN THE NEXT ISSUE



## **HOW WILL PUBLIC UTILITIES RAISE MONEY?**

The current performance of the stock market has placed more pressure than ever on public utilities in solving their problems of financing necessary plant renewal and expansion. Herman L. Gruehn, vice president of Consolidated Gas, Electric Light & Power Company of Baltimore, has made a masterly analysis of such questions as packaging, timing, and completion of security issue transactions under present-day complicated conditions.

## **POWER FOR SOVIET FARMS**

We are hearing a great deal about rural electrification in the United States. How is such a program being carried out in the paradise of the proletariat? Dimitri R. Stein, assistant professor of electrical engineering at the North Dakota Agricultural College, has interpreted available statistics in an effort to draw a factual picture of what goes on, these days, in the way of power on the farms of the USSR.

## **"RATE BOYS" RIDE THE TRUCKS**

The trucking industry has long complained about a multiplicity of varying and sometimes conflicting state regulation which tends to balkanize the map of the United States for purposes of truck regulation. James H. Collins, well-known West coast writer on business matters, gives us an entertaining account of what is being done to harmonize and facilitate the great industry of trucking subject to necessary regulation.

## **THE MISSOURI ASSISTANCE PLAN FOR CO-OP COÖRDINATION**

Rural electric coöperatives, being by nature far-flung organizations, have special need of devices and arrangements for pooling their technical knowledge of facilities in case of emergency. Bernard J. Otten, Missouri journalist, gives us a description of a practical program now being used by rural electric coöperatives in the "Show-Me" state.



**Also . . .** *Special financial news, digests, and interpretations of court and commission decisions, general news happenings, reviews, Washington gossip, and other features of interest to public utility regulators, companies, executives, financial experts, employees, investors, and others.*



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# Remarkable Remarks

"There never was in the world two opinions alike."

—MONTAIGNE

ROBERT R. YOUNG  
*Chairman, Chesapeake & Ohio  
Railway Company.*

*Excerpt from the  
St. Louis Union Trust Company  
Letter.*

HARLEY L. LUTZ  
*Tax consultant, National  
Association of Manufacturers.*

W. W. WYAMACK  
*Chairman, National Citizens  
Council on Civic Rights.*

EDITORIAL STATEMENT  
*Chicago Journal of Commerce.*

CARROLL E. FRENCH  
*Director, National Association of  
Manufacturers Industrial Relations  
Division.*

ROBERT MOSES  
*New York City Park  
Commissioner.*

EDITORIAL STATEMENT  
*Times-Herald (Dallas, Texas).*

"I think the railroads are leading this depression because of the unfair, socialistic attacks on the railroads by shippers and bureaucrats."

"Socialism and the nationalization of industry can come about only if private industry is first sabotaged and crippled. The first step is to create public opinion hostile to business."

"There is not enough fiscal adrenalin in more (government) spending to offset the loss of blood from heavier taxation. Healthy rejuvenation can only occur through a reduction of government burdens."

"America is the world's stronghold for the rights that we sum up as freedom. America will not be an effective stronghold to rally the rest of the world if it sadly fails at home in applying the principle it upholds."

"Congress may not be wholly willing to fashion a springboard from which the nation is to dive into turbid waters of Socialism. But the enemies of the government octopus have a desperate fight on their hands."

"The hope for the survival of labor-management relations in the United States on a voluntary basis depends on the persistence with which employers push ahead with improved personnel administration with employees and labor unions where they exist."

"Life is competitive, and, please God, will continue to be so in these United States for a long time to come. I cannot conceive of politics, government administration, physical progress, and even the coordination of public and private enterprise in any other terms."

"So long as we look to Washington for everything from a billion-dollar grant to advice on how to keep our hair from falling out, Washington is going to try to meet our demands. To do so, it must have the power. If we want to curb that power, let's stop asking it for so much."



## Keeping stainless steel STAINLESS

... a typical problem in fabricating alloy piping

● Heat a piece of stainless steel pipe to bend it and right away you're up to your ears in metallurgical complications. To begin with, stainless steel isn't just one alloy. There are hundreds of different types of stainless steel, each selected for its resistance to corrosion or its stability at high temperatures. To maintain the metallurgical properties which dictate the choice of a particular alloy steel, you have to know the temperature range within which this steel may suffer excessive metallurgical changes. And you have to have specialized equipment to maintain the precise control necessary to avoid these hazards.

Grinnell pipe fabrication equipment includes specially designed gas-fired radiant heat furnaces for this precisely controlled heat treatment of stainless steels and other alloy steels. Multiple burners are strategically located to distribute temperature uniformly and to prevent harmful flame impingement. Precision instruments regulate temperature and time.

It's an intricate business . . . fabricating alloy steel piping. It's a job for Grinnell prefabricating plants because Grinnell has the equipment and modern methods, the interpretive engineering, the metallurgical research facilities and the skilled personnel.



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## REMARKABLE REMARKS—(Continued)

LEWIS H. BROWN  
*Chairman, Johns-Manville  
Corporation.*

"I certainly do not intend to sell the United States short, for I believe that ours is a country of unlimited destiny. I believe that the experiences we have been going through during the past twenty-five years are but an interlude in our history."

BENSON FORD  
*Vice president, Ford Motor  
Company.*

"If we are to exercise an influence on our times, it seems to me that you and I must learn to communicate our ideas and our thinking to large groups of people—to understand and be constantly aware of the public interest—in other words to 'think politically' in terms of people."

DAVID E. LILIENTHAL  
*Chairman, Atomic Energy  
Commission.*

"Our physical safety, our peace of mind, our clarity of thinking, and the conservation and strengthening of individual freedom require that all of us try to develop, rather promptly, a better perspective of atomic energy. An important element in that perspective is a fuller understanding that atomic energy has a brighter side."

EARL O. SHREVE  
*Former president, Chamber of  
Commerce of the United States.*

"It is evident . . . that to carry our heavy debt and our defense burdens, as well as to develop our economy, the country needs new sources of revenue, new sources of jobs and income. The best way to get these new sources of income is by encouraging capital investment and new enterprise—money and productivity are synonymous."

GEORGE STRAUSS  
*Supply Minister of Great Britain.*

"Maybe some day some government may want to nationalize the motorcar industry. But it would be unwise and wrong to use a bill for the nationalization of steel as a method of nationalizing an important part of the motorcar industry. The right way would be to do it properly by nationalizing the whole industry in one clean measure."

ANDREW F. SCHOEPEL  
*U. S. Senator from Kansas.*

"There is no magic in the financial aspects of the Federal government. There may be a lot of monkey business, but no magic. There is a limit to the ability of our economy to support government. That limit is high, but it is a limit. Of course, it is not sound to spend up to the breaking point just because we have some money in our Federal pocket."

EMIL SCHRAM  
*President, New York Stock  
Exchange.*

"Because three-quarters or more of the Federal government's revenues are now derived from taxes based on wages and business earnings, it is essential that the wheels of industry continue to turn. Of the qualities of statesmanship, none is more important than fairness and temperateness. It would be unfair and intemperate to create a set of conditions handicapping business and then condemn the inevitable results as evidence of the evils of the American economic system."

## IBM CARDS SPEED PUBLIC UTILITY ACCOUNTING

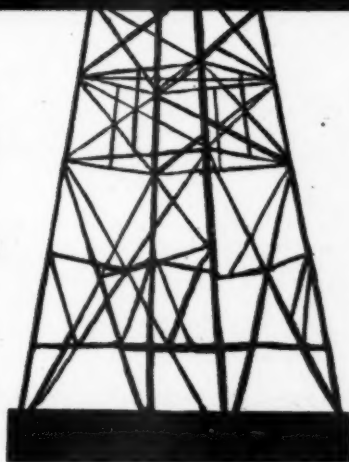


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MATERIAL	2	2	2	2	2	2	2	2	2	2	2	2	2	2
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ACCOUNTS PAYABLE	4	4	4	4	4	4	4	4	4	4	4	4	4	4
PETTY CASH	5	5	5	5	5	5	5	5	5	5	5	5	5	5
ACCOUNTS RECEIVABLE	6	6	6	6	6	6	6	6	6	6	6	6	6	6
MERCHANDISE SALES	7	7	7	7	7	7	7	7	7	7	7	7	7	7
JOURNAL ENTRY	8	8	8	8	8	8	8	8	8	8	8	8	8	8
CASH RECEIPTS	9	9	9	9	9	9	9	9	9	9	9	9	9	9

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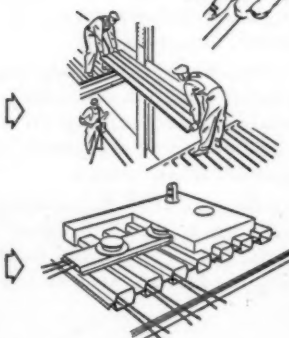
"Look at this model. Those cells are the steel Q-Floor. It is dry, noncombustible, clean. It goes up as fast as the frame. No temporary forms, no shoring. Two men can lay 32 sq. ft. of Q-Floor in half a minute and it immediately becomes a dry, working platform. Even in freezing weather, work speeds along, not delayed by wet materials.

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"See how the load-carrying steel cells of Q-Floor are crossed over by raceways for wires of every conceivable electrical service. This is your assurance that your investment will keep step with future increased demands for electrical business machines. You can put an outlet on every six-inch area of the exposed floor. It literally takes only a few minutes. Floor layouts are permanently flexible. Alterations tremendously simplified. It saves a huge amount of money over the years.

"And Q-Floor costs less than the carpet that covers it.

"There is no reason for not having Q-Floors."



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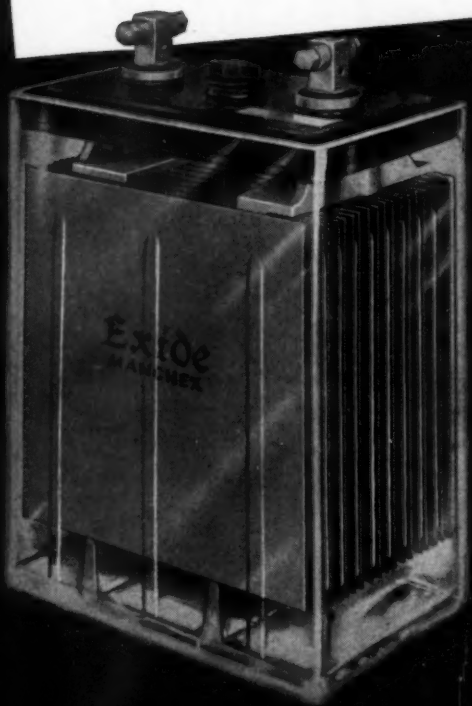
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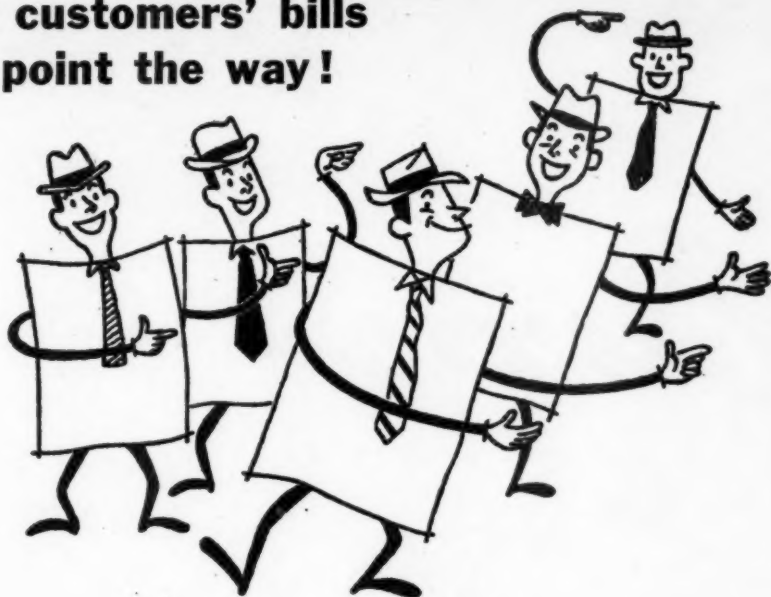
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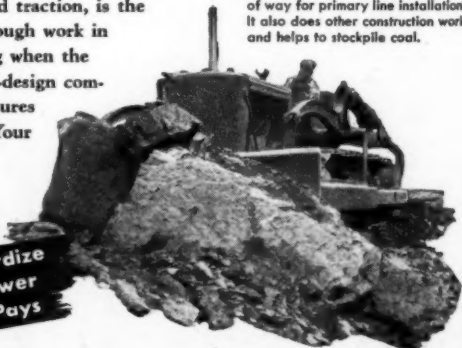
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# Utilities Almanack



## JUNE




23	T <sup>a</sup>	† California Independent Telephone Asso. begins convention, Los Angeles, Cal., 1949. † American Water Works Asso., N. J. Section, begins meeting, Wanaque, N. J., 1949.
24	F	† Michigan Gas Association begins annual convention, Mackinac Island, Mich., 1949. † American Society for Engineering Education ends convention, Troy, N. Y., 1949.
25	S <sup>a</sup>	† Edison Electric Institute, Hydraulic Power Committee, ends annual meeting, Denver, Colo., 1949.
26	S	† National Retail Dry Goods Association begins annual convention, Chicago, Ill., 1949. 
27	M	† American Society for Testing Materials begins annual meeting, Atlantic City, N. J., 1949.
28	T <sup>u</sup>	† Canadian Electrical Association begins annual meeting, Banff, Alberta, Canada, 1949.
29	W	† National Association of Broadcasters ends program directors' clinic, Chicago, Ill., 1949.
30	T <sup>a</sup>	† Advertising Association of the West ends annual convention, Vancouver, British Columbia, 1949.



## JULY



1	F	† National Association of Railroad and Utilities Commissioners will hold annual convention, Cleveland, Ohio, Aug. 7, 1949.
2	S <sup>a</sup>	† American Institute of Electrical Engineers will hold Pacific general meeting, San Francisco, Cal., Aug. 23-26, 1949.
3	S	† American Bar Association will hold annual convention, St. Louis, Mo., Sept. 5-9, 1949. 
4	M	† Midwest Gas Association will hold Midwest gas school and conference, Ames, Iowa, Sept. 6, 7, 1949.
5	T <sup>u</sup>	† Rocky Mountain Electrical League will hold fall convention, Estes Park, Colo., Sept. 11-14, 1949.
6	W	† Michigan Independent Telephone Association will hold annual convention, Lansing, Mich., Sept. 22, 23, 1949.



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—TENNYSON

# Public Utilities

FORTNIGHTLY

VOL. XLIII, No. 13



JUNE 23, 1949

## Utility Bills in the State Legislatures

*Here is a roundup of bills of special interest to public utilities passed, pending, or defeated in the 45 state legislatures which have been in session since the beginning of the current year.*

By BETHUNE JONES\*

**M**ORE bills of significance to public utilities have been raised as issues in state legislatures throughout the nation this year than at any time since the New Deal pressuring era of the past decade.

With a special session in Kentucky added to the 44 regular sessions, legislatures convened thus far this year in all states except Louisiana, Mississippi, and Virginia.

Although law mills were still grind-

ing in some 17 states, a survey of developments up to mid-May clearly reveals that state legislation will be an increasing factor in public utility operation.

Of most direct concern is a trend toward stronger and better paid state regulatory commissions, with procedural and other changes designed to provide greater protection to the public in rate cases. The procedural changes enacted and proposed in a number of states will delay the time necessary to put utility rate boosts into effect.

\*For personal note, see "Pages with the Editors."

## PUBLIC UTILITIES FORTNIGHTLY

A new Rhode Island law gives the state public utility administrator a maximum of nine months, instead of three, during which he may hold up new utility rates pending investigation and hearing. Also enacted in Rhode Island was a bill under which appeals from decisions of the state public utility administrator will be taken directly to the state supreme court, eliminating intermediate review by a 3-member public utility hearing board. Under the latter new law, an appeal from the administrator's order in a rate case will not automatically result in a stay of rates laid down by him. However, the court at its discretion could stay effectiveness of the order until it had completed its hearings on appeal.

Hearing before the state supreme court, under the new Rhode Island law, will not be "*de novo*" as has been the case before the hearing board. A transcript of testimony before the administrator will be admissible as testimony before the court. However, if either party wishes to present new evidence the court would hear it, and the administrator on the basis of the new evidence could change his original order, as he has been able to do before the hearing board. It was stipulated that the new procedure on appeals would not apply to pending rate cases of the New England Telephone & Telegraph Company and the United Electric Railways Company.

**E**NACTED in Vermont was a bill which will prevent utilities from putting rate increases into effect prior to a hearing by the state public service commission. The new measure changes a law which heretofore has permitted utilities to put rate increases into effect

in advance of hearings and commission decision by filing bond. The new act also broadened the commission's authority to permit it to institute investigations on its own behalf into rate changes.

Also approved by the Vermont legislature were bills allowing the public service commission to employ legal counsel; empowering the commission to order electric companies to transmit power to shortage areas in times of emergency; and broadening the commission's jurisdiction over borrowing and selling by public utilities.

North Carolina's legislature increased the membership of the state utilities commission from three to five; provided for employment of technical personnel; clarified procedure before the commission; authorized the commission to require adequate services from utility companies; and provided for assignment of an assistant attorney general to the commission.

Governor G. Mennen Williams recommended legislation in Michigan to prohibit issuance of a rate change order prior to full hearing of all viewpoints. This proposal, which was still buried as the Michigan legislature headed toward adjournment, would abolish the so-called "interim" order in which the commission approves an increase on the company's showing alone, pending further investigation and hearing. Other administration bills in Michigan would require that the report of the state public service commission's staff be made part of the record in every rate case, and that no commission member or counsel may take employment with any utility for two years, instead of the present six months, after leaving the commission.



## UTILITY BILLS IN THE STATE LEGISLATURES

BESIDES the governor's proposals, a special committee of the Michigan house of representatives, which studied public service commission procedure, recommended abolishing the practice of granting rate increases by temporary orders; increasing commission membership from three to five members, and raising commissioners' salaries to \$10,000; requiring appointment of special counsel from the state attorney general's department to represent the public at all hearings; assessing utility companies one-half per cent to support a full-time investigating staff, and requiring commissioners to place themselves on record in deciding rate cases.

Pending in the Massachusetts legislature was a recommendation by Governor Paul A. Dever for the creation of a new state commission to protect the interests of consumers, including intervention in behalf of the public in utility cases. A new measure enacted in Massachusetts provides that members of the state public utilities commission shall not be pecuniarily interested in certain public utility companies or in the employ of any person financing any such company.

Defeated in the Wisconsin legislature was a bill to replace the present state public service commission with a new and larger body. Still pending in that state was a bill to provide that a

public utility could change rates after thirty days' notice to the commission, but that the commission might suspend enforcement of the rates until after a hearing. Present procedure requires the utility to apply for a change in rates, after which the commission holds a hearing on the proposal, and later issues an order filing the rate schedule. Another pending Wisconsin bill would order the public service commission to consider the salaries of utility executives in determining rates.

LEGISLATION to change rate-making procedure in Ohio has been proposed by the Association of Ohio Municipalities. The city officials want a change from the present method of determining valuation by cost of reproduction new less depreciation to a prudent investment method.

Rejected in the Pennsylvania legislature was a bill which would have required the "fair value" of utility companies to be determined on the basis of original cost plus depreciation, rather than upon the cost of replacing the properties at present prices.

South Dakota's legislature did not adopt Governor George T. Mickelson's recommendation that light, power, and gas distribution be placed under state public utilities commission regulation along with common carriers, telephone



**Q** "ENACTED in Vermont was a bill which will prevent utilities from putting rate increases into effect prior to a hearing by the state public service commission. The new measure changes a law which heretofore has permitted utilities to put rate increases into effect in advance of hearings and commission decision by filing bond. The new act also broadened the commission's authority to permit it to institute investigations on its own behalf into rate changes."



## PUBLIC UTILITIES FORTNIGHTLY

and telegraph companies now being so regulated. It also rejected bills to extend public utilities commission jurisdiction over holding companies, prescribe the rate base for return on investment, and require interstate and intrastate telephone rates be the same per mile.

Bills pending in the Texas legislature included a proposal for state rather than Federal regulation of hydroelectric rates, and a bill designed to provide a standard measurement of natural gas. Oklahoma's legislature killed a bill to empower the state corporation commission to fix the price of natural gas at the well.

**A**PENDING Florida bill would enlarge the state railroad and public utilities commission from three to five members and broaden its authority to include regulation of gas and electric companies, in addition to the utilities already under its jurisdiction.

Creation of a 3-member state public service commission was achieved by a bill enacted by the Delaware legislature. Present powers of the Wilmington Board of Public Utility Commissioners will be transferred to the newly created state commission. Delaware previously had no state utility regulatory agency.

Governor Adlai E. Stevenson of Illinois proposed the creation of an "independent" state commerce commission, which regulates utilities. The governor's plan called for no more than three of the five members of the commission from the same political party. Terms would be increased from two to six years and would be staggered so as not to permit appointment of an entirely new commission every time

there is a new governor. Salaries of commissioners, under the plan, would be increased to \$12,000 a year. The chairman now receives \$8,000 and the other members \$7,500.

Introduced unsuccessfully in the Arizona legislature was a proposed state constitutional amendment to place the state corporation commission under control of the legislature. The commission, which controls utilities, now is a constitutional body, with the legislature having no jurisdiction over its activities or how it spends its money.

**M**ARYLAND'S legislature rejected a bill to increase the membership of the state public service commission from three to five members. Failing of enactment in the Washington state legislature was a bill backed by Governor Arthur B. Langlie to abolish the state departments of transportation and public utilities by consolidating their functions under a new public service commission.

Turned down by the Arkansas legislature was a bill to limit the power of the state public service commission to authorize utility rate increases. It would have cut the commissioner's authority to enable granting of a maximum in any one year of 25 per cent increase of basic rates in effect, except in cases of "extreme hardship." In the latter instances, an increase of 35 per cent would have been permitted.

Bills to increase the salaries of members of state utility regulatory commissions and to provide such agencies with increased funds for personnel and counsel were widely introduced. State enacting bills for higher salaries up to this writing included Colorado, Maryland, Nevada, and Pennsylvania

## UTILITY BILLS IN THE STATE LEGISLATURES



### Increase in Membership of Commission

**"N**ORTH CAROLINA's legislature increased the membership of the state utilities commission from three to five; provided for employment of technical personnel; clarified procedure before the commission; authorized the commission to require adequate services from utility companies; and provided for assignment of an assistant attorney general to the commission."

Largest boost was approved in Pennsylvania, where the pay of the commission chairman was upped from \$10,500 annually to \$15,000 and the salaries of the other four commissioners were increased from \$10,000 to \$14,000 each.

**S**TUDIES of rate boosts and other utility matters were also widely proposed. North Dakota's legislature ordered an interim legislative investigation of a state public service commission order approving a telephone rate increase. Rejected by the Arizona legislature was a bill to provide the state corporation commission with funds to make surveys of the capital structure of electric, gas, telephone, and water utilities for rate-making purposes.

Several resolutions proposing legislative studies were pending in California. They included measures for investigation of telephone rates, of the state public utilities commission, and of the state's power problem. A num-

ber of bills proposing legislative investigation of the rates of gas and electric companies were introduced in Massachusetts. An interim study of New Hampshire's utilities laws was recommended by Governor Adams.

A Michigan proposal called for a legislative committee study of the problems of the state public service commission with a view to determining whether the public is adequately represented at rate hearings. Legislative investigation of utility regulation also was proposed in Wisconsin.

**B**ILLS to place limits on the earnings of public utilities were introduced but defeated in at least two state legislatures. A bill which would have fixed a minimum of 4 per cent profit for public utilities was killed in the Georgia legislature. It would have defined less than 4 per cent return on investment as "confiscatory" rates for public utilities. Under the bill, a utility able to prove

## PUBLIC UTILITIES FORTNIGHTLY

its return was less than 4 per cent would have been able to win a rate boost automatically, but would have no case if its return was 4 per cent or more. Defeated in New Hampshire was a measure which would have established, as a reasonable return on utility investments, a figure up to and including 5½ per cent. Any return above that figure would have been presumed unreasonable unless the utility could prove otherwise.

Butane gas dealers would have been made subject to control by state utility regulatory agencies under bills rejected in Arkansas and Connecticut. A bill putting barge lines under the state public utilities commissioner was enacted in Washington, while the Maine legislature gave that state's utilities commission authority to set rates for Portland-Peaks island ferry fares.

Nevada's legislature rejected a bill to give cities authority over franchises for public utilities operating within their limits. The Arkansas legislature enacted a bill limiting franchise grants to public utilities to a period of twenty-five years. Killed in Arkansas was a bill which would have required all firms and corporations furnishing electricity for use as light, heat, or power to second-class cities in the state to have in reserve necessary equipment and machinery to furnish services during a breakdown in their main plant or distribution plant.

**U**NSUCCESSFULLY introduced in Rhode Island was a bill proposing abolition of service charges paid by consumers of electricity and gas. A bill providing for escheat to the state of unclaimed meter deposits held by utility companies was killed in Utah. Pending

in Texas was a bill to allow private and public power corporations to set up their poles on the right of way on state highways and county roads in cities when permission is granted by authorities, instead of having to pay land-owners for right of way for such lines on private property. Enacted in Pennsylvania was a bill to permit the state to make agreements with private property owners on royalties from natural gas resources under state land.

Although proponents of public ownership of utilities made a big score in the Washington state legislature, bills providing for or favoring public ownership were widely rejected in other states throughout the country. While there was strong public ownership pressure in some states and there were some other favorable enactments to that cause, analysis of the over-all record does not indicate any new widespread public ownership legislative trend.

The new Washington state law provided for the creation of a state power commission with authority to put the state in the power business on the wholesale level and empowered to acquire and operate production and transmission facilities. It also provided that two or more public utility districts may go together to negotiate for the purchase of private power facilities which extend beyond the borders of a single public utility district. Another provision calls on PUD's to make payments to school districts in lieu of taxes in areas where they take over private power companies.

**S**CHEDULED to go into effect in June if not halted by referendum procedure, the Washington act will per-

## UTILITY BILLS IN THE STATE LEGISLATURES

mit a group of public utility districts to complete a long contemplated plan to purchase the Puget Sound Power & Light Company for a price expected to approximate \$135,000,000. The act does not assure such a purchase, however. One of the obstacles, besides the threat of a referendum (which was dwindling at this writing), are condemnation actions variously filed by PUD's and the city of Tacoma against portions of the company's property. An attempt by the city of Seattle to buy the company's distribution system and a part of the generating system also was complicating the situation, as was the prospect of a legal action attacking the validity of the new legislation.

Vermont's legislature killed a bill providing for the creation of a Vermont Power Authority for the development of a statewide electrical energy program. The proposed power authority would have been authorized to construct and operate projects in state waters, develop hydroelectric power for wholesale distribution, and build and operate fuel-electric power plants for generation of electricity acquired from other sources.

Also turned down by the Vermont legislature was a bill calling for the state's participation in a 6-state compact for the creation of the New England Development Authority, one of the functions of which would have been to investigate the possibilities of de-

veloping water power. The proposed compact, sponsored by the New England Governors' Conference and the New England Council, automatically dies unless ratified by all six New England states.

**A** BILL to permit the creation of consumer power districts was defeated by the South Dakota senate after it had passed the house. The South Dakota legislature also rejected a measure proposing an interim study of the proposed consumer power districts.

Rejected by the Wyoming legislature were bills to allow cities to buy utilities at a "fair" price and to empower cities and towns to issue revenue bonds for the purchase of public utilities. Approved by the Wyoming solons, however, was a joint resolution memorializing Congress to appropriate funds for planning and construction of adequate hydroelectric power plants in the state.

Unsuccessfully introduced in the Utah legislature was a bill to permit creation of public utility districts "to conserve water and power resources . . . and to supply public utility service, including water and electricity for all purposes." Nevada's legislature killed a measure to permit the issuance of revenue bonds by communities for the purchase, construction, or improvement of revenue-producing utilities.

Lost in Rhode Island was a bill to



**Q** "CREATION of a 3-member state public service commission was achieved by a bill enacted by the Delaware legislature. Present powers of the Wilmington Board of Public Utility Commissioners will be transferred to the newly created state commission. Delaware previously had no state utility regulatory agency."

## PUBLIC UTILITIES FORTNIGHTLY

enable municipalities to acquire, construct, or lease electric power plants. Passed in the same state was a measure asking Governor Pastore to propose to other New England governors that they join in requesting the Federal Power Commission to survey New England's power potential.

Killed in California assembly committee was a bill which would have added power development to the beneficial water uses which may be undertaken by county boards of supervisors. A number of other bills relating to public ownership of utilities were still pending in California.

**F**OUR bills backed by advocates of municipal ownership of public utilities were reported adversely to the Massachusetts legislature by its joint legislative committee on power and light. Introduced in the Wisconsin legislature, with little prospect of passage, was a proposed state constitutional amendment to permit the state to contract debts for water-power development.

A bill to exempt municipally owned gas and electric plants from the state tax on gross receipts was killed by a committee of the Florida senate. Rejected in North Carolina was a bill which would have put rural operations of municipally owned power plants under state utilities commission regulation. A pending New Hampshire bill would authorize the state public service commission to investigate requests from cities and towns on the establishment of municipally owned utilities. A resolution urging Congress to establish a Connecticut Valley Authority was strongly opposed at a recent state legislative hearing in Connecticut.

JUNE 23, 1949

Enacted in Arkansas was a bill permitting municipalities to issue revenue bonds for installing natural gas transmission lines and distribution systems. Pending in the Oklahoma legislature was a bill to broaden the powers of the Grand River Dam Authority.

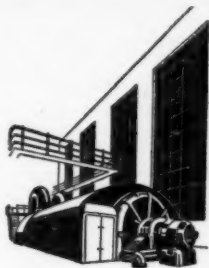
**I**N signing a bill broadening the powers of the New York State Power Authority, Governor Thomas E. Dewey placed responsibility for any further delay in starting the St. Lawrence river hydroelectric development on the Federal government. "This bill," Dewey said, "modernizes the statutes relating to the New York State Power Authority. In addition, it eliminates two undesirable restrictions on the development of the St. Lawrence project; namely, the requirement that the authority have firm contracts for the disposition of its power before issuing any bonds and some of the restrictions regarding construction by the authority of transmission lines."

Also enacted in New York state were two bills affecting water supplies in western New York. One created the Erie County Water Authority to develop and sell water in the county outside Buffalo and the town of Tonawanda. The other created a 17-member temporary commission to study water needs and problems in an area including Niagara, Orleans, and Monroe counties.

New Jersey's legislature, for the sixth year since 1940, memorialized Congress not to approve any treaty or trade pact with Canada providing for the construction of the St. Lawrence seaway.

Regulation and taxation of coöperatives were raised as issues in a number





### Rejection of Public Ownership Bills

**“ALTHOUGH** proponents of public ownership of utilities made a big score in the Washington state legislature, bills providing for or favoring public ownership were widely rejected in other states throughout the country. While there was strong public ownership pressure in some states and there were some other favorable enactments to that cause, analysis of the over-all record does not indicate any new widespread public ownership legislative trend.”

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of states. A special session of the Kentucky legislature enacted a bill extending the debt retirement period of REA coöperatives from twenty-five to thirty-five years. The measure makes Kentucky law conform to the Federal act that gives coöperatives thirty-five years to repay loans to REA at Washington.

**E**NACTED in Arizona was a bill defining territories which electric coöperatives may serve and providing that if a private power utility fails to serve an area on written application within ninety days, the area may be served by the co-ops, and providing that co-ops may serve only members, instead of 19 per cent nonmembers as provided by previous state law. The most controversial feature of the Arizona bill was removed prior to enactment. It would have exempted electric

coöperatives from jurisdiction of the state corporation commission and was vigorously opposed by private utilities.

A bill to give rural electrification coöperatives power to expand without any regulation or supervision passed the Colorado house but died in the state senate. The unsuccessful Colorado move would have put the so-called model electric coöperative bill sponsored by the REA in Washington on the state statute books in place of an act which prevents REA groups from invading areas controlled but not serviced by private utilities without permission of the state public utilities commission.

An unsuccessful Indiana bill would have eased restrictions on the territory served by electric coöperatives, with the result that the co-ops would have been able to purchase existing private

## PUBLIC UTILITIES FORTNIGHTLY

or municipal electric utilities and thus go beyond their original rôle of providing service only to rural areas not otherwise served.

**N**ORTH CAROLINA'S legislature killed a proposal which would have given private power companies the right to carry into the courts arguments over whether transmission lines could be built across their territory by REA co-ops. A bill which would have set up requirements for location of offices of rural electrification units in Montana was vetoed by Governor John W. Bonner. Although noting that the bill attempted to settle a local dispute, Governor Bonner said it might "tend to break the basic laws of our program of rural electrification."

State tax exemption privileges of coöperatives were partly removed by legislation enacted in North Carolina, but similar measures thus far failed to win approval in other state legislatures in which they were introduced. North Carolina coöperatives hereafter will be required to pay state income taxes at the corporate rate on their undistributed profits, but will remain exempt from paying state franchise taxes. Persons receiving refunds from coöperatives, whether in cash or stock, will be required by the new law to pay state income taxes on receipts from such sources.

**A**DOPTEd as an amendment to the state income tax law, the North Carolina legislation stipulates: "Nothing in this subsection shall be construed to exempt any coöperative, mutual association, or other organization from an income tax on net income (gross income minus operating expenses, in-

cluding interest paid on capital stock) which has not been allocated to patrons on a patronage basis and distributed either in cash, stock, certificates, or in some other manner that discloses to each patron the amount of his patronage refund; provided, that no stabilization or marketing organization, which handles agricultural products for sale for producers on a pool basis, shall be deemed to have realized any net income on profit in the disposition of a pool or any part of a pool until all of the products in that pool shall have been sold and the pool shall have been closed. . . .

"Such coöperatives and other organizations shall file an annual informational return with the State Department of Revenue on forms to be furnished by the commissioner and shall include therein the names and addresses of all persons, patrons, and/or shareholders, whose patronage refunds or interest on stock amount to \$50 or more."

The North Carolina law further reads: "An individual who patronizes or owns stock or has membership in a farmers' marketing or purchasing coöperative or mutual . . . shall include in his gross income for the year in which the allocation is made his distributive share of any savings or interest on stock, whether distributed in cash or credit, allocated by the coöperative or mutual association for each income year."

**P**ASSAGE of the North Carolina legislation followed a 2-year study of the co-op tax structure by the State Tax Research Department. The study had been ordered by the 1947 legislature after a bitter controversy that year over



## UTILITY BILLS IN THE STATE LEGISLATURES

a proposal to make coöperatives subject to both franchise and income taxes.

Still before the Delaware legislature at this writing was a bill to eliminate state tax exemption privileges of coöperatives. Passed by the state senate and awaiting house action, the bill would make coöperatives subject to the same licenses and taxes as private business.

The Kansas house of representatives killed a bill which would have provided for state taxation of the earnings of coöperatives if not paid to patrons within six months after the end of the business year. An unsuccessful attempt to tax coöperatives also was made in the Montana legislature.

Wyoming's legislature enacted a bill exempting property of nonprofit rural electrification coöperatives from taxation during the next four years. A bill to prohibit breach of contracts with electrical coöperatives was killed by the Vermont legislature. Enacted in North Dakota was a bill exempting securities from the state's security laws.

One of the biggest surprises of the current legislative year in state capitals was the general ineffectiveness of what loomed early in the year as a strong drive for repeal or modification of anticlosed shop and other regulatory labor laws. State lawmakers also have been

generally cool this year, however, to proposals for new restrictive labor laws. Indications now are that there will be no immediate new major trend in state labor control laws, with future action depending largely on what type of labor legislation emerges from Congress.

**A**LTHOUGH New Hampshire's legislature repealed a 1947 act outlawing the closed or union shop unless voted for by two-thirds of the bargaining employees, repeal or modification of anticlosed shop laws was rejected in Arkansas, Iowa, North Carolina, North Dakota, South Dakota, Tennessee, and Texas. Proposals for new anticlosed shop laws died in the legislatures of Idaho, Kansas, Minnesota, and Nevada, and were still pending, with little prospect of adoption, in California, Connecticut, Florida, Ohio, Oklahoma, and Wisconsin.

Bills to repeal or weaken public utility antistrike laws were rejected by the legislatures of Indiana, New Jersey, Nebraska, Pennsylvania, Texas, and Wisconsin, with such a bill still pending in Missouri. Enacted by a dozen states two years ago, these laws generally provide for compulsory arbitration of utility labor disputes, although some rely mainly on stringent penalties.



**Q**"ALTHOUGH there is considerably more economy talk now in state capitals than has been heard at any other time since the end of the war, pressure for increased state taxes is continuing unabated and there are very few states finding it possible this year to avoid some form of tax boost. Public utilities, of course, are not escaping notice in the search for new state revenue, but thus far there is no new widespread trend of discriminatory levies aimed at utilities."

## PUBLIC UTILITIES FORTNIGHTLY

Wisconsin's utility antistrike law was extended to include electric coöperatives.

An unsuccessful attempt was made to broaden the Pennsylvania act to cover transit companies. Also rejected in Pennsylvania was a milder proposal designed to curb transit strikes without compulsory arbitration.

Governor Browning vetoed a Tennessee bill to outlaw strikes against electric power companies and to require compulsory arbitration of such labor disputes by the state railroad and public utilities commission.

**E**NACTED in Michigan was a revised version of the 1947 Bonine-Tripp labor control act, the utility antistrike provisions of which were invalidated by the state supreme court on technical grounds. As passed by the state legislature and signed by the governor, the new Michigan bill will abolish compulsory arbitration provisions of the 1947 act and provide instead for fact-finding commissions to delay strikes or lockouts in public utility and hospital labor disputes. It also will make other changes.

Included among other types of labor control laws raised as issues in legislatures this year were measures regulating picketing, outlawing secondary strikes and boycotts, calling for secret strike votes, outlawing jurisdictional strikes, providing for union financial reports, and in other respects regulating organized labor activities. Bills to repeal such laws, which were widely enacted in 1947, were rejected in Arkansas, Colorado, Minnesota, North Dakota, Oregon, South Dakota, Texas, and Utah, and were pending in Delaware, Massachusetts, and Missouri.

Proposals for new restrictive acts of such types were made unsuccessfully in Idaho, Nevada, and New York, and were pending in California, Connecticut, Delaware, Nebraska, Ohio, Oklahoma, and Wisconsin.

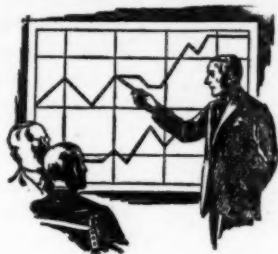
Bills proposing new or more effective facilities for mediation, conciliation, and voluntary arbitration were proposed in Arizona, California, Connecticut, Delaware, Idaho, Illinois, Indiana, Iowa, Michigan, Maine, Montana, Texas, and Wisconsin. Action thus far on these bills, however, has been largely negative or of comparatively minor significance.

**N**EW and broadened regulation of wages and hours was widely proposed in state legislatures with stronger support than in other recent years, but with largely negative results thus far. Bills proposing state wage-hour laws patterned after the Federal fair labor standards act were rejected by a number of states, including Colorado, Indiana, Nevada, North Carolina, Pennsylvania, South Carolina, and Utah, and were pending in Massachusetts, Missouri, and Connecticut.

A new Maine law reduces the maximum weekly working hours of women in industrial establishments from fifty-four to fifty, and raises the minimum age of workers in some types of employment from fifteen to sixteen. Enacted in Indiana was a bill extending until March 15, 1951, the wartime suspension of all state laws governing employment of women. New Jersey's legislature killed a bill to extend the state's minimum wage law to all workers, instead of only women and minors.

With similar measures still pending in a number of states, bills liberaliz-

## UTILITY BILLS IN THE STATE LEGISLATURES



### State Income Levies

**"I**N contrast to the spreading pressure for new and increased state income levies, bills reducing such taxes were enacted this year in Kansas and Maryland. The over-all outlook, however, points to heavier rather than less reliance by the states on this form of revenue. Prior to the current-year developments, personal or corporate income taxes, in some instances both, were increased by at least 10 states in 1947 and 1948."

ing unemployment compensation laws through higher benefits, extended duration of payments, or in other respects had been enacted by this writing in at least 11 states—Kansas, Maine, Minnesota, Montana, Nebraska, New Hampshire, North Carolina, Oregon, Tennessee, Texas, and Washington. Bills to lower unemployment tax contributions by employers were enacted by seven states—Kansas, Minnesota, North Carolina, North Dakota, Oregon, Rhode Island, and Texas, with such measures pending in several other states.

**S**TATES which thus far this year have enacted legislation increasing workmen's compensation benefits or otherwise liberalizing such laws include Montana, New Jersey, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Tennessee, Vermont, West

Virginia, Wisconsin, and Wyoming. A final tally at the end of the legislative year will show a much larger list of such enactments. This is an extension of a trend which during the last two years has seen such laws liberalized by more than half the states.

Bills providing for payment of benefits to wage earners unable to work because of nonoccupational illness or other disability were enacted this year in New York and Washington, although there was a possibility that the latter state's law would be referred to the electorate. California, New Jersey, and Rhode Island are the only other states which have laws of this type, although they were proposed in a number of states this year.

Proposals for compulsory state health insurance programs to provide prepaid medical and hospital care, with employers sharing the cost, were un-

## PUBLIC UTILITIES FORTNIGHTLY

successfully introduced this year in the legislatures of California, Massachusetts, New York, and Rhode Island.

Bills creating new state fair employment practices commissions, designed to combat racial and religious discrimination in employment, were enacted this year in New Mexico, Oregon, Rhode Island, and Washington. New Jersey has a new law aimed at discrimination in places of public accommodation.

**A**LTHOUGH there is considerably more economy talk now in state capitals than has been heard at any other time since the end of the war, pressure for increased state taxes is continuing unabated and there are very few states finding it possible this year to avoid some form of tax boost. Public utilities, of course, are not escaping notice in the search for new state revenue, but thus far there is no new widespread trend of discriminatory levies aimed at utilities. Indications are that public utilities in most states will be hit harder through their sharing in the burden of new and increased general state taxes than by special levies.

Such public utility taxes as had been enacted up to this writing were for the most part of comparatively minor significance. A bill enacted in Arkansas provides for the imposition of fees against certain utilities to defray a part of the expenses for the operation and maintenance of the Arkansas Public Service Commission. New Mexico increased its severance tax on natural gas to 2½ per cent and also boosted other severance tax rates. Indiana restored assessment of public utilities to county assessing officials, repealing a 1947 act which gave most of the utility assessing

to the State Board of Tax Commissioners. A bill exempting industrial users of power from provisions of the state's kilowatt-hour tax was enacted in Idaho, with a similar measure proposed in Washington.

**U**TILITY tax bills were still pending in a number of states. Alabama's public utility taxes would be increased to produce an additional \$8,982,000 a year under one of a number of tax recommendations made by Governor James E. Folsom, but which were receiving a cool reception from the Alabama lawmakers. Governor Fuller Warren asked the Florida legislature to double the present 1½-cent tax on the gross receipts of utility companies as part of another tax program which also was greeted with little enthusiasm. Pending in Vermont was a proposal by Governor Ernest W. Gibson to increase the state's electric energy tax from half mill per kilowatt hour to one mill for electricity generated in the state.

A gross sales tax bill pending in Ohio, as a substitute for the state's present sales tax, would affect gas, electric, and telephone service as well as a number of other items now exempt from sales taxation. The Missouri legislature was considering a bill to change the method of taxing utilities in a way that would cost them more money. An excise tax on public service corporations measured by 2 per cent of their gross receipts, to yield an estimated \$3,500,000 in new revenue, was proposed to the Massachusetts legislature by Governor Paul A. Dever. Natural gas tax bills were pending in Oklahoma and Texas.

Among the public utility tax bills already rejected, the Montana legis-

## UTILITY BILLS IN THE STATE LEGISLATURES

lature killed proposals to increase the electrical energy producers' license tax from 1 to 1½ per cent and to raise the tax against telephone companies. An advisory ruling given the New Hampshire legislature by the state supreme court held that a bill which would have permitted the state to impose a tax on utilities proportional to the number of kilowatt hours manufactured in the state would be in violation of the state Constitution. South Carolina's legislature turned down a proposal to double the power kilowatt tax. A bill which would have required companies in rate proceedings before the state public utilities commission to finance their cases was killed in South Dakota.

Rejected by the Minnesota legislature was a bill to levy a tax of 3 cents per thousand cubic feet on all natural gas brought into the state, while the Montana legislature defeated a bill to impose a tax of three-eighths per cent on each thousand cubic feet of natural gas exported from the state. A severance tax bill including a 5 per cent gross market tax on natural gas failed in Utah. The North Carolina legislature turned down a bill to set up a tax system for companies handling natural gas, charging them 5 cents per thousand cubic feet of gas they sold. A bill to levy a 3 per cent tax on oil and gas production was defeated in Kansas,

while a similar tax of 2 per cent was rejected in Wyoming.

**D**EVELOPMENTS in the field of general state taxation point to extension of a trend of the last two years toward heavier levies against individual and corporate income. A 5 per cent surtax on all state income tax payments was enacted in Minnesota as part of a veterans' bonus financing program, which also includes a flat tax of \$5 a year on every person, bank, and corporation filing a state income tax return. Indiana is financing a veterans' bonus by an added gross income tax of one-quarter per cent on individuals, manufacturers, wholesalers, and farmers, and one-eighth per cent for retailers. New York state's personal income tax was increased from 60 per cent of normal to 90 per cent. Colorado's legislature reenacted a 1947 graduated state income tax law which provides for taxes ranging from 1 per cent on incomes under \$1,000 to 10 per cent on incomes over \$11,000. A bill providing for a 10 per cent increase in North Dakota's income tax was vetoed by Governor Fred G. Aandahl.

Bills calling for new individual or corporate income taxes, or both, were pending in Connecticut, Michigan, Nebraska, and New Hampshire, but were rejected in Maine, New Jersey, Penn-



**Q**"THIRTY-FOUR states now have income tax laws, with 28 taxing both corporate and individual income. Connecticut, Pennsylvania, and Rhode Island tax only corporate income. Tennessee taxes corporate and personal income from intangibles only. Delaware and New Hampshire tax only personal income, with New Hampshire taxing only personal income from intangibles."



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sylvania, Rhode Island, and Washington. Proposals for increased income taxes were pending in Alabama, California, Delaware, Massachusetts, South Carolina, Vermont, and Wisconsin, but were rejected in Iowa, Montana, and North Carolina. A new income tax will be one of several alternate means of financing a veterans' bonus program which will be placed before West Virginia voters next year.

**I**N contrast to the spreading pressure for new and increased state income levies, bills reducing such taxes were enacted this year in Kansas and Maryland. The over-all outlook, however, points to heavier rather than less reliance by the states on this form of revenue. Prior to the current-year developments, personal or corporate income taxes, in some instances both, were increased by at least 10 states in 1947 and 1948. The comparatively few actions taken in the same period to reduce income levies were by no means sufficient to offset the uptrend.

Thirty-four states now have income tax laws, with 28 taxing both corporate and individual income. Connecticut, Pennsylvania, and Rhode Island tax only corporate income. Tennessee taxes corporate and personal income from intangibles only. Delaware and New Hampshire tax only personal income, with New Hampshire taxing only personal income from intangibles.

The present trend in state income taxation is a reversal of the pattern of the war years when two states—South Dakota and West Virginia—got out of the income tax field entirely and many others effected substantial rate reductions. The current trend also is at variance with most plans for elimina-

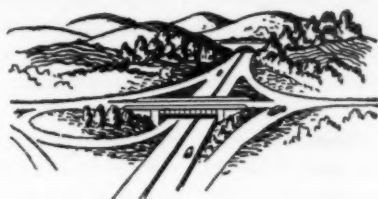
tion of duplicating taxation between Federal and state governments. Virtually all such plans contemplate turning the income tax over to the Federal government exclusively, with the Federal government, in turn, getting out of the excise tax and inheritance tax fields.

**C**ONTINUING pressure for new, increased, and broadened state sales taxes also is indicated by legislative developments, despite the fact that opponents succeeded up to this writing this year in preventing the addition of any new states to the 27 now using this form of taxation. Proposals for new sales taxes were rejected by the legislatures of Idaho, Maine, Minnesota, and Nevada, but were still pending in several others, including Florida, Nebraska, and New Hampshire.

North Dakota reenacted its sales tax, while bills increasing or broadening sales taxes were enacted in Arkansas, Indiana, and South Dakota. Proposals for increased or broadened sales taxes were rejected in Arizona, Tennessee, Utah, Washington, and West Virginia, but were pending in Alabama, California, Illinois, Missouri, and Ohio. Connecticut's sales tax, under present law, is scheduled to increase from 1 to 2 per cent July 1st. Bills to repeal or reduce sales taxes were introduced in a number of legislatures, but without affirmative major results. Meanwhile, proposals for new and increased sales taxes loom as future legislative issues in a number of states, including Georgia, Kentucky, Pennsylvania, Virginia, and West Virginia.

Highway-user taxes of one or more types were increased by the legislatures





### Highway-user Tax Levies

**"T**HIS year's uptrend in highway-user levies extends a trend which has been in progress the last several years. Between the end of the war and the start of the current year, gasoline taxes were boosted by fourteen states, and other forms of automotive tax increases also were enacted by a number of states."

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of at least 18 states up to mid-May, with such proposals pending in nearly all of the remaining legislative sessions.

**I**NCREASED gasoline taxes were approved by the legislatures of Kansas, Minnesota, Montana, Nevada, New Mexico, North Carolina, North Dakota, Oklahoma, Oregon, Pennsylvania, Vermont, and Washington. The North Carolina boost, however, was contingent upon the outcome of a June 4th bond issue referendum, while the North Dakota increase has been blocked by referendum petitions. The New Mexico attorney general ruled the increase there could not be made subject to a referendum. The Oklahoma and Vermont increases had not yet been signed into law at this writing. So-called "temporary" gasoline taxes were made permanent in Idaho, Maine, and West Virginia. Bills proposing gasoline tax boosts were pending in Alabama, California, Connecticut, Delaware, Florida, Illinois, Massachusetts,

Missouri, Nebraska, New Hampshire, South Carolina, and Wisconsin, but were rejected by the legislatures of Arkansas, Indiana, Michigan, New York, South Dakota, Utah, West Virginia, and Wyoming.

Motor vehicle license taxes for commercial vehicles or passenger cars, or both, were increased by Arkansas, Indiana, Iowa, Maryland, Minnesota, Montana, Oregon, and Washington. Such measures were rejected in Idaho and Michigan, but were still pending in Delaware, Illinois, Nebraska, and other states. Other types of special levies against commercial vehicles were enacted by Kansas and Oregon, but rejected in Michigan, Montana, and South Dakota. A motor vehicle "use" tax was enacted in Montana, while South Dakota increased a new-car tax.

**B**OND issuance for highways received affirmative action in the legislatures of Arkansas, North Carolina, and Pennsylvania, with such measures

## PUBLIC UTILITIES FORTNIGHTLY

pending in Connecticut, Delaware, Massachusetts, and New Hampshire. Bond proposals were rejected by the lawmakers of Maine, Oklahoma, Iowa, and Oregon. Use of general state funds for highway purposes was approved by the legislatures of Iowa, Kansas, and North Dakota. Idaho, Oregon, and Pennsylvania are among the states which have authorized new interim studies to determine long-range highway needs.

This year's uptrend in highway-user levies extends a trend which has been in progress the last several years. Between the end of the war and the start of the current year, gasoline taxes were boosted by fourteen states, and other forms of automotive tax increases also were enacted by a number of states.

Although flooded with such proposals, state legislatures have been more reluctant than in other recent years to grant broader taxing authority to county and municipal governments to raise new revenue from nonproperty tax sources, including levies directly and indirectly affecting utilities. This development apparently stems from growing public opposition to new levies and not from any diminishing need for local revenue. County and municipal officials in virtually all states continue to assert a need for increased state financial aid or broadening of local taxing authority, or both.

**N**O new legislation of major significance granting local governments additional taxing powers had been enacted up to mid-May and many such bills had been rejected, including several which would have given cities new special taxing authority over utilities. Meanwhile, Pennsylvania modi-

fied its 1947 law permitting local governments to tax virtually anything not taxed by the state. The Pennsylvania act, under which nearly 1,000 new local nonproperty taxes have been adopted, including local income taxes, has attracted widespread attention as a possible model in other states.

Local governments have been more successful this year in obtaining increased financial assistance and sharing in state-collected taxes than in persuading state lawmakers to broaden local taxing powers. The trend toward increased state aid to counties and cities for road and street purposes is continuing, while additional state aid for school purposes also is being widely provided.

Important bills relating to the operation of public transportation systems were still pending in a number of states at this writing. Before the Massachusetts legislature were controversial recommendations by Governor Dever under which the state as a whole would be called upon to help out in the deficit problem of Boston's transit system. Legislation pending in California would allow districts to establish rapid transit authorities. Creation of a Milwaukee metropolitan transit authority would be enabled by a bill introduced in the Wisconsin legislature.

A Delaware bill would place busses as well as trackless trolleys under jurisdiction of the Wilmington Board of Public Utility Commissioners. Introduced in Florida was a bill to give cities, rather than the state railroad and public utilities commission, control over bus companies operating within cities or between any two adjoining cities in the same county.

## UTILITY BILLS IN THE STATE LEGISLATURES

NEW JERSEY's legislature rejected a bill to divert \$15,000,000 of automotive tax receipts for use in financing the creation of a South Jersey rapid transit system. The proposed appropriation would have been repayable from "any surplus operating revenue" from the transit authority. New Jersey's electorate last fall overwhelmingly rejected a proposal for the issuance of \$15,000,000 in state bonds for the establishment of a South Jersey rapid transit system. Long sought by planners, the proposed transit system would link nine South Jersey counties by a network of electrified transit lines emanating from the Camden-Philadelphia area.

A resolution proposing a broad legislative investigation into Rhode Island's transit system failed of legislative enactment. The Rhode Island lawmakers, however, quickly appropriated \$25,000 for the state's investigation into the fairness of higher rates sought by the United Electric Railways Company. An administration bill to transfer control of city transportation systems to the state railroad and public utilities commission was rejected by the Tennessee legislature. Turned down by the New York state legislature was a bill to transfer regulation of private bus companies in New York city from the state public service commission to the city board of estimate.

A TREND of recent years toward liberalization of state truck size and weight restrictions is continuing but at a slower rate. Such bills by mid-May had been enacted in Idaho, Indiana, North Carolina, Washington, and Wyoming; were vetoed in Maryland

and Nevada; were killed in Arizona, Iowa, Minnesota, Montana, North Dakota, Oregon, Pennsylvania, and Tennessee; and were pending in California, Missouri, Nebraska, New Hampshire, and Ohio. A bill increasing length limits was enacted in Kansas, but truckers said accompanying new axle load requirements would make the new law costly rather than beneficial. In contrast with the current-year action on such measures, truck size and weight laws were liberalized by at least 18 states in 1947 and by 4 states in 1948, when comparatively few legislatures convened.

There have been few new developments in the field of merchandising legislation of major importance to utilities. Proposals to prohibit public utilities from selling appliances appeared in Massachusetts and North Dakota, but were not enacted. Also introduced in several states were bills aimed at abuses in the field of installment selling and financing.

Several bills were pending in Florida to give the state a new fair trade act, permitting manufacturers to establish minimum resale prices for their products. The Florida fair trade act of 1939 was recently invalidated by the state supreme court, despite the fact that such laws have previously been upheld by the courts of a number of other states. A test case challenging the validity of Mississippi's fair trade act, enacted in 1938, has been appealed to that state's supreme court. Fair trade laws, with Florida's out, are now on the statute books of 44 states. Bills to repeal such statutes were unsuccessfully introduced this year in the legislatures of a number of states.



# The Electric Utility Industry Meets Growing Demands

A comprehensive check on the growth and planning of the electric utility industry indicates that every reasonable step is being taken to meet the nation's growing demands for power supply.

By H. S. BENNION\*

MANAGING DIRECTOR, EDISON ELECTRIC INSTITUTE

**T**HE electric utility industry, with a history of nearly seventy years, has traveled over many rough and rocky and sometimes swampy stretches of road, climbing over or through many difficult engineering, financial, competitive, and political obstacles. It scarcely ever has had smooth going.

The proceedings of the old National Electric Light Association show that in the late 80's and early 90's municipal ownership was a grave threat. About twenty-two years ago the Senate took up a resolution to investigate the power industry. From that time until well into the 30's there was disclosed an attitude of hostility and unfriendliness in a substantial part of the press and in edu-

cational circles, together with a lack of friendliness in many business circles and in much of the remainder of the press, that was not only surprising but shocking to many of the leaders of this industry. They had no idea how unfavorably many people were actually regarding them and their business operations. It was a period of investigations and corrective or punitive legislative proceedings, followed by enabling acts and appropriations to put the Federal government into the power business on a much larger scale than theretofore and to foster, promote, and induce Socialism on a local or regional basis on a scale to threaten the financial standing if not the existence of many electric utility companies. At the beginning of this period the private companies were generating 96 per cent of

\*For additional personal note, see "Pages with the Editors."

## THE ELECTRIC UTILITY INDUSTRY MEETS GROWING DEMANDS

the nation's power supply and distributing 94 per cent to ultimate consumers. That severe and protracted test of the fitness for survival of the electric utility companies has left its mark in their ranks and has affected in many ways their present position and attitude.

Today the surviving electric utility companies, and the great bulk have survived, find themselves facing two broad, sweeping movements of great significance not alone to their own future but to the future life and course of this nation. The first is the worldwide and deadly movement toward national Socialism which already has engulfed much of the world and for the past twenty years has been making glaring inroads into many sectors of American business. The second great movement is the unprecedented rate of growth of power demand.

**I**N eight years the consumption of electricity in this country has doubled. This is an average annual rate of increase of 10.2 per cent compounded as compared with long-term growth previous to 1940 of less than 4 per cent per annum. In World War II there was considerable backing up of demand for service and considerable advance had been made in electrification. This was coupled with an unprecedented supply of American goods and materials to the rest of the world following the cessation of war. Although there is some sign of slacking off in this present rate of increase in most sections of the country, there is already so great a momentum in research, development, and design of machines and in development of processes to use electricity, and there is such a premium on labor saving, and so much value to the various

classes of retail consumers in more uses of electricity that it is generally estimated that the normal annual load growth over the decade beginning with 1950 will be 5 per cent compounded. Some capable estimators think it will be somewhat higher than that.

This extraordinarily rapid load growth in conjunction with the bar to plant expansion during the war years brought the margins of reserves and spare capacity in most parts of the country to the lowest levels since the early decades of the industry. Only the skill and watchful care of operating forces, the pooling of combined resources to the greatest possible advantage, the coordinating of schedules for overhauling equipment, and the working out of some adjustments with their customers enabled the companies to meet these spectacular demands successfully with a minimum of inconvenience to their customers and a negligible production loss in industry. The year 1947 was a little more difficult than 1948, though in both years the average margin was approximately 5 per cent and load shifting and other curtailments at the time of peak loads necessary in some localities amounted to something under 1 per cent of the total national load.

**T**HIS comparatively tight squeeze gave the proponents of more government spending and also those who believe in socialism some fuel for their flames which they proceeded to make the most of, and are continuing to do so even though events are rapidly drying up any justification for such clamor. As I stated before, the rate of increase has been flattening off in most sections for the past few months and



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there are signs that this process will continue and probably will spread further. Where it looked six months ago that during the summer or December peaks of 1949 there might be eleven or twelve areas rather tightly squeezed for capacity, it now appears that only three or four spots will be somewhat crowded and, barring accidents, their neighbors should be able to supply any deficiency they may find themselves confronted with. If this present flattening off trend should spread much further, even that small number will be reduced. From now on any area short of reserves will have little company to share its concern.

The electric utility companies in the years from 1947 to 1951 plan to add 21,000,000 kilowatts, which is  $52\frac{1}{2}$  per cent increase, and over 15,000,000 of these kilowatts are scheduled to come in this year and the next two. Delivery dates on heavy equipment are being shortened considerably by manufacturers. Units are being offered for delivery one to five months ahead of schedule. Reserves are already back to normal in some localities and it appears that this will generally be true a year earlier than could be predicted last fall.

**N**OTWITHSTANDING this magnificent achievement of the electric companies, the Federal government is going ahead with power developments which would increase its present 5,-

000,000 kilowatts of installed capacity to 20,000,000 kilowatts by 1960. A 5 per cent compounded load increase would mean that the private electric utility companies by that time would have an installed capacity of approximately 100,000,000 kilowatts. Nevertheless, larger plans of Federal government bureaus have been revealed which indicate further power developments to bring total Federal government capacity to about 50,000,000 kilowatts. The bulk of this, however, is in the Far West.

But getting back to this world-wide sweep of national Socialism, the progress of which in this country is generally recognized and acknowledged, as is also its menace to the economic system and political liberty of the nation, notwithstanding the overhanging menace, it is the mood of the American people to trade liberty bit by bit for today's good living and for promises of future food and shelter. Every political party, every sector of business, every locality in the country is honeycombed with compromise of proved principles for preserving economic liberty and well-being. Each locality, every business, has its own little special benefit or handout from the Federal taxpayer which it wants to retain or enlarge, and no common defense against the advance has made its appearance so far. Immediate con-



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cerns and desires have overshadowed any striving for long-range aspirations and desires. Prosperity appears to be built largely on heavy government spending for unbusinesslike, uneconomical, and inefficient projects and operations at home and abroad and, taking advantage of this situation, Socialists skillfully plan to take over or effectively control the American productive economy including farming, and their plans are advanced by the votes of those who do not want Socialism but want immediate good business or immediate advantage.

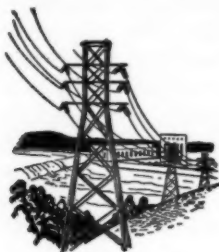
**I**N the face of so broad and so sweeping a movement, it is now well recognized that every business in this land is or needs to be concerned with its prospects of survival and well-being. This applies to all business and to professional men as well. The doctors, for example, are present targets of the movement.

In this struggle for survival, which is very much broader than any mere question of whether one or more key industries will be owned and operated by the government, what are the prospects for electric utility companies as compared with other kinds of business? I believe their prospects are good and can be made better, and I will state briefly my reasons for thinking so.

None will question the fact that the electric utility company supplies a vital need to the territory it serves, but I wonder if the leaders of the industry realize how much their customers now feel dependence on electric service, how conscious they are of their reliance on electric power. I wonder also if it is realized how much this feeling will be intensified in another ten to twenty

years by the further developments in application of electric power which the industry is helping to place on foot. The industry's small reserves of the past two years have given us a better gauge of what the public expects of us, what we must be prepared to supply, and what we cannot afford to fail to do if forethought, good engineering, and sound financial management can make the accomplishment possible. When there are evidenced good and sufficient and readily understandable reasons, the public will accept an inadequate power supply or wait for extension of services, but its patience only lasts while real justification is apparent to it. After that, in the eyes of the public, such a failure becomes a cardinal sin for which there is no forgiveness. Interruptions of service are treated in like manner. They are accepted in good part when the justification is evident and when exertions and performance in restoring service win and hold their approbation. The same principle will undoubtedly be true ten to fifteen years from now, but the idea of what are adequate measures and of what is good and sufficient justification will surely change with increased use of electric service and increased dependence thereon. This greater dependence will demand a corresponding advance in plant facilities, in organization and methods to keep pace.

**H**AVING pointed out how much our customers feel their dependence on electric service, it should also be pointed out that there is a general belief, and history tends to bear it out, that the more vital the need an industry supplies the quicker and more inevitably that industry will be socialized.



### Power Developments

**"T**HE electric utility companies in the years from 1947 to 1951 plan to add 21,000,000 kilowatts, which is 52½ per cent increase, and over 15,000,000 of these kilowatts are scheduled to come in this year and the next two. . . . Notwithstanding this magnificent achievement of the electric companies, the Federal government is going ahead with power developments which would increase its present 5,000,000 kilowatts of installed capacity to 20,000,000 kilowatts by 1960."

But modern society has many vital needs and the list continues to grow longer. We have considerable company. Furthermore, there are other factors that play a large part in determining the course which Socialism will take.

We may ask, What are the basic underlying conditions relating to any industry or to any company that invite or fail to repel the socializing process? We know that though a body may be surrounded by disease germs it may be healthy enough to resist their finding lodgment. As a general proposition, a lack of ability to finance desirable or necessary expansions and improvements of service has been the proximate cause of government financing, and sooner or later government operation, but usually back of this step there has been a considerable history of acts of omission and commission

that have contributed in part at least to this fatal lack of financial strength. Of course, the lack of finances may be due to causes beyond the power and timely measures of the best of management and the most skillful engineering, but in a specific case often an appraisal will show that over a long period of years there was a lack of forehandedness, a lack of aggressiveness, a failure to attract and develop and use leadership of character and caliber, years of neglect, avoidance of dealing with important weaknesses, deficiencies or difficulties, coasting, patching, compromising compounded, basic faults in the organization teamwork, poorly adjusted and applied price structures, indifferent or unaggressive sales planning and execution, lack of exertion or inability to meet new competition, inability to withstand or avoid the crushing weight of high labor costs, etc.

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**W**HAT has kept a service vital to the public from being socialized? This question is of more concern and application to our present operations. Some of these causes, and I shall deal with basic factors because they are the determining ones in any long, hard, and general struggle, are: a good record of adequate, dependable, high quality service; character, capability, and responsiveness of the individual employees from the present to the newest employee; keeping right on the job; a live and promising record of technical and commercial advances; a history of sound rate or price policies defensible against provocative comparisons or well-aimed competition; and, not to be disregarded, is a successful and open financial record; a general and well-established reputation for good leadership, for progressive spirit, for engineering and operating excellence, and for responsible, willing, and helpful participation in community affairs. People have demonstrated time and again that they like and are proud of leaders of character and standing in their communities, leaders who are sincere, straightforward, energetic, resourceful, progressive, and able to give a good account of their stewardship. Such leaders are the best possible insurance against the advance of Socialism. These statements apply to all American business and, as I said before, all or nearly all business is under the same pressure of government control and taxation and the threat of being engulfed in Socialism.

Having in mind these survival factors relating to all American business, let us look now more particularly at the chances for electric companies to escape Socialism as compared with other

segments of the business world. As I see them, the strongest points in our favor are as follows:

**1** Our business has far to grow. There is much technical work yet to do. There is a big selling job to be accomplished. In both of these fields private enterprise, according to all recorded history, has an enormous advantage. It is outstandingly more effective than other types of enterprise. This is by far the most favorable factor on our side. We have and always have had a progressive commercial spirit, a driving urge to give our customers the advantage of every new and useful development. Socialism attacks most successfully the inept or backsliding business.

**2** We use a relatively small labor force and our engineering and organizing skill has not exhausted the full possibilities of saving man power in our operations. We do not face the threat for many other industries that labor costs have brought or may bring.

**3** We are meeting the demands for service. It seems to me that the biggest and most encouraging augury for a long and successful future for the electric companies as a whole is the fact that after twenty years of powerful and merciless attacks they have had the financial credit, the public spirit, the capable and courageous leadership, the engineering skill, and the energy and drive to launch a 6-year program to add 52 per cent to their facilities at a gross cost equal to three-fourths of their fixed capital and that they are already halfway through the huge undertaking, although the hardest half

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from a financing point of view lies ahead. Their financial standing is improving steadily, and deservedly so, from deep and sound considerations. What is very important is that the facilities being built are highly efficient and well suited to render long years of useful and profitable service. We are not building something to meet immediate demand that must soon be scrapped or written off. It is well built and will serve our customers well for years to come. This holds true not only in the efficient power stations we are building but for the transmission and distribution lines and substations. The efficiencies and economies effected are already manifesting their beneficial influence. Furthermore, we are faced with very little scrapping of older plants. The uses for peak load capacity, the possibilities of aerial warfare, however remote, make it good sense on the part of companies and regulatory authorities to keep in useful status plants with an economy rate of say 2 pounds of coal per kilowatt hour, and this includes about 90 per cent of our capacity at the end of World War II.

4 We have the spirit of service. We have long been through the fire of hostile criticism and attack. We are not self-satisfied and have little chance to get that way.

5 With all our individualism and pronounced diversity of views, a natural and I think desirable by-product of the initiative and resourcefulness of the free enterprise system, we work together better than ever before and are more aware of the fact that a weak spot anywhere, an invitation to an entering wedge in any part of the country, tends to make the rules, the public opinion climate, and the reputation for the utility industry everywhere.

6 We are more awake to the task of selecting, training, and inspiring personnel. It is men and spirit after all and not machines that supply the will to advance and the determination to survive.

7 We are economy conscious and we practice it. We do not cover up inefficiency and wastefulness with demands for more money to spend. Before we ask for rate increases we first comb over our operating costs to look for any drift away from efficient and sound economy.

8 Our financial standing is decidedly up from its low point and on the mend. Investors show good signs of turning toward the stability of electric utility stocks.



**Q** "PROSPERITY appears to be built largely on heavy government spending for unbusinesslike, uneconomical, and inefficient projects and operations at home and abroad and, taking advantage of this situation, Socialists skillfully plan to take over or effectively control the American productive economy including farming, and their plans are advanced by the votes of those who do not want Socialism but want immediate good business or immediate advantage."

## THE ELECTRIC UTILITY INDUSTRY MEETS GROWING DEMANDS

**9** Our leaders are aware of their obligations to lay before regulatory commissions the need for earnings that will give fair return to investors. There is a better mutual understanding between company management and commissions on the basic questions relating to investors, consumers, and employees. Much of the recent rate history shows that.

**10** We are fortunate in being supplied and stimulated by the most progressive, technically competent, resourceful, and best informed manufacturers in the world.

**11** Though we have yet far to go in many sectors, we have advanced substantially toward esteem and good repute with business rank and file and with the public. We are not envied or begrudged as we once were. Our businesses have seen our sorrows and humiliations. We have been getting our "comeuppance" for about twenty-two years now. Business today is much more cognizant of the fact that we are all in the same boat and has quit looking upon us as a bad boy who had it coming to him.

**T**HESE basic and important factors lead me to feel strongly that as a group the electric utility companies have a far better than average prospect for surviving the onrush of Socialism in this country. I think we have more of the important ingredients for survival from Socialism than is true of most other important industries. The resistance record so far of the electric utility companies, I believe, is encouraging if full account is taken of the powerful force of the destructive meas-

ures that have beaten upon them. After fifteen years of loans, grants, subsidies, acquisitions, adverse legislation, orders, regulation, and judicial decisions, electric utility companies in proportion of total sales to ultimate consumers have dropped only 9 per cent. Where they formerly sold 94 per cent of all kilowatt hours to ultimate consumers in this country, they now sell 85 per cent. That this loss has not been much larger has been due principally to the devotion of management and employees to the principles of a free economy and the willingness of investors and directors to take a long view of their financial interests and responsibilities and the contributions they were in a position to make to the preservation of economic and political freedom in America.

How long will this drive for Socialism last? The price of freedom, we are told, is eternal vigilance. The struggle for technical improvement and commercial expansion must go on always if we are to keep in the vanguard of progress. Retrogression sets in the moment this struggle ceases.

**T**HE movement toward Socialism has been gaining momentum for several decades. World War II helped and hurt the cause of free enterprise. The progress of Socialism reduces the tax rolls and enlarges the clamoring needs of government agencies for more money. Surely one day there must come a sharp showdown on Federal spending and on the fiscal position of the Federal government which will choke off the appropriations, reduce the subsidies, spread more widely the tax burdens, and halt the growth of socialization by reducing the tax money it





### Movement toward Socialism

**"T**HE movement toward Socialism has been gaining momentum for several decades. World War II helped and hurt the cause of free enterprise. The progress of Socialism reduces the tax rolls and enlarges the clamoring needs of government agencies for more money."

grows on; but the United States is a big and powerful nation and no one can say when finances will force such a change. I have heard estimates of five, ten, fifteen, and twenty years before Federal finances will bring the issue to a head. In the meantime, undoubtedly many more businesses and companies will have fallen to Socialism. It seems to me, however, that if the electric utility companies take full advantage of their capabilities and opportunities and resolve to endure to the end, they will fare far better in withstanding this baleful disease than most other businesses. The struggle is surely worth the alternative cost. We were given a great heritage by those who went before us. Surely we owe it to those who will come after us to do everything reasonably within our power in our time to pass it on to them unimpaired.

*It seems to me that the severest tests to the electric companies will come in the old form of moves for municipal ownership, for public utility districts,*

*and other such government creations where the real consideration will be the familiar problems of balancing tax avoidance by government operators and other such special privileges, on the one hand, and good service and local tax payments, on the other. I am sure also that the best insurance for each company against such danger ever arising in its service area is a big and genuine credit bank of local public esteem constantly renewed and built up.*

**I**N this discussion I have said nothing about the important subject of publicity, local or national. Experience has caused me to appreciate and value their importance, but it has also given me an appreciation of the greater importance of the performance and spirit of an industry or a company. I have found that it is much easier to tell a good news story if you have a good news story to tell. For that reason I have stressed performance, attitude, and character.

From a publicity standpoint, there is



## THE ELECTRIC UTILITY INDUSTRY MEETS GROWING DEMANDS

a tide in the affairs of a leader, a company, an industry, or even a government agency. When the publicity tide is running against you everything seems to conspire to drown out your voice, and it gets little or no heed. I think I have observed a change in the run of the publicity tide. I and my associates are called upon from many quarters for information for publicity purposes and in recent years we have noted an increasingly favorable attitude toward the electric utilities.

For years the institute has subscribed to a clipping service to get a representative sampling of newspaper articles and editorials from all over the United States on the electric industry. Fifteen years ago we made a ten weeks' analysis of all clippings from the standpoint of favorable, unfavorable, or noncommittal to our industry as judged by their probable impression on

readers. The sampling covered better than 30 per cent of the more than 2,000 dailies published in this country. We are now making a similar analysis of today's sampling. Fifteen years ago the clippings were running 2 favorable to 5 unfavorable. Today they are running 5 favorable to 3½ unfavorable. For the southern states, excluding Tennessee, the ratio fifteen years ago was the same as the national pattern, 2 favorable to 5 unfavorable. For the same states the present survey shows a ratio of 4 favorable to 3½ unfavorable. This very rough check tends to confirm the feeling I have gained from observation and from contact with a good many writers that with the various developments on foot to increase publicity, both locally and nationally, we shall find, in the years to come, good performance will receive good recognition.

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### Investment Per Employee

**"T**HE public should be made familiar with the fact that the average investment for plant and equipment necessary to put a man or woman to work in an American manufacturing plant is \$8,389. The range is from \$3,759 per wage earner in textiles to \$21,205 in the telephone system, and \$27,375 in chemicals. In addition, it costs several thousand dollars more in capital funds for inventory and working capital to keep them at work.

"Some of these funds always have come from profits that have been plowed back into the business. More and more of them must come from that source in the future because of the difficulties in obtaining equity capital at the present time. An increase in corporate taxes, either by way of excess profit or straight income taxes would further dry up the equity markets because such action would be a serious threat to the continuity of dividends."

—WALTER HOVING,  
President, Commerce and Industry  
Association of New York.

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## Can Stockholders Accept The "Welfare" State?

*Obviously not; and the utility industry, in the opinion of the author, should have a great deal to contribute to the sum total of stockholders' knowledge of what is happening to private enterprise in the United States.*

By WILBUR J. BRONS\*

ONLY the man or woman whose mind slithers over the hard surface of current events can experience anything resembling complacency. "Social" legislation in the United States today is slowly but surely chiseling away at the foundations of economic liberty. And as economic liberty declines, so does personal and political liberty.

Bismarck, wily old architect of the first German Reich, understood quite clearly that great masses of people could be regimented with ease once they had swallowed the idea of social security. As Paul McGrath has since pointed out in his masterful book, *There's Freedom for the Brave*, no better means to contain workers than a social security card ever has been evolved anywhere on God's green foot-

stool. In Australia, where social security is a fetish, only about a fifth of the population has benefited from it while the great majority would have been much better off had they placed their savings in banks at a low rate of interest.

Yet despite the evidence of history—most of it irrefutable—millions of adult Americans have failed to convince themselves that they can expect no greater righteousness or wisdom from the state than from those who control it. Reason counts for less and less in public debate because the modern politician has rediscovered Bismarck's sound premise that mass emotionalism is a surer way to continuing power.

United States business and industry, large and small, have spent hundreds of millions of dollars in the past decade to save private competitive enterprise

\*Chief editorial writer, Chicago *Journal of Commerce*. For personal note, see "Pages with the Editors."

## CAN STOCKHOLDERS ACCEPT THE "WELFARE" STATE?

from a lingering death in this country. Corporate management long has recognized the annual report as an excellent means of improving its relations with share owners, wage earners, salaried employees, and the consuming public generally. Many year-end statements now are couched in the simple terms that beget confidence. The technical details are still included for the benefit of the mind trained to interpret them, but the corporate story more often than not is better told in the non-technical terms of how much money was taken in from sales, how much was spent for supplies, how much went for wages, salaries, and employee benefit programs, how much was paid to owners of the company's securities, and how much was retained in the business—and why.

CORPORATE management has expended huge sums on newspaper and magazine advertising depicting the steady year-in and year-out contribution of free American enterprise to the truly remarkable growth of the United States as a world power—and as the world's best place to live. Press, periodical, and radio campaigns have stressed in everyday language how the profit system really operates: how vital profits are to an abundance of good jobs, how they have consistently raised the nation's standard of living, how they have enabled the major educational institutions to remain largely free from bureaucratic domination.

These various public relations programs of business and industry are a vital contribution to preservation of the American system of political and economic freedom. They should be expanded to include small enterprises

as well as large. Nevertheless, it is now abundantly clear that they must be augmented by still additional measures to drive home the fact that private, competitive enterprise, despite its known shortcomings and its occasional fumbings in the past, is infinitely better for everyone than the social security state, or, if you will, the welfare state.

An added measure which has been urged from time to time by farsighted executives is the widest possible distribution of equity security among small investors. It has been suggested that men and women with incomes of \$5,000 a year or thereabouts should be buying corporate securities to a much greater extent than they have been in times gone by. Forward-looking investment banking firms and brokerage houses already are making a serious effort to encourage the ownership of equity shares by these middle-income people. The necessary adjustments of distributing machinery are being made to permit the handling of a larger volume of smaller accounts.

ATREMENDOUSLY wider ownership of equities by small- and middle-income families could easily be the best antidote yet discovered for today's creeping Socialism which masquerades as traditional American economic reform. But if wider equity ownership is to accomplish that result, the new shareholders will have to be much better informed than many millions of present shareholders appear to be regarding the true nature of about 99.9 per cent of today's socioeconomic schemes. In short, ownership will not be enough; it must be accompanied by a determined campaign of enlightenment!

## PUBLIC UTILITIES FORTNIGHTLY

The outline of such a campaign is now ready and waiting for somebody to take over the development. It is a plan which would augment and direct into straighter and truer channels the now scattered effort of U. S. industry to combat the soft Socialism of our day. It comes from a member of the New York Stock Exchange who prefers for the present to remain anonymous. Briefly, the basic idea is this: The Investment Bankers Association of America, the National Association of Securities Dealers, and the Association of Stock Exchange Firms should form a compact group to put *specific* information about social legislation into *specific* hands—into the hands, that is, of the very people whose stake in the enterprise system will suggest to them that it be maintained in a healthy, dynamic condition.

SETTING the new machinery in motion should be relatively simple. If the IBA, the NASD, and the country's stock exchanges do not now have the appropriate committees to do the necessary spade work, they can be formed. The task of these committees, working closely with one another, would be to appoint competent representatives to visit the top-flight executives of corporations whose securities are listed and traded on the stock exchanges or dealt in over the counter in the vast unlisted market.

This machinery established and

working smoothly, national legislation could be carefully analyzed for its effect upon specific companies or industrial groupings. Getting this information into the hands of stockholders would be the problem of the companies concerned. It would entail new costs, certainly, but if it were made a continuing program the results probably would be worth many times the expenditures involved. Made aware of their problem, aware, that is, of the choices confronting them, both the old and the new crop of security owners would be in a tremendously better position to present their views on obviously bad economic legislation to their Senators and Representatives in Congress.

IT is not intended here to minimize the importance of what has already been done and is still being done. The Chamber of Commerce of the United States, the Brookings Institution, the Foundation for Economic Education, and a half-dozen other privately supported organizations now do an excellent job of spotting and publicizing legislative hocus-pocus, but the really small investor remains pretty much a public orphan. All around him labor union members, some of whom are his neighbors, are urging that he submit to being eased into the neat grooves and niches of a regimented society.

Highly suggestive of the pressing need of the sort of highly organ-

“CORPORATE management has expended huge sums on newspaper and magazine advertising depicting the steady year-in and year-out contribution of free American enterprise to the truly remarkable growth of the United States as a world power—and as the world's best place to live.”

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ized, closely directed effort our New York Stock Exchange member has proposed was a Roper survey made not long ago for the Controllershship Foundation. The Roper researchers tested the reactions of 4,259 stockholders to the information contained in the average annual report. Of these 4,259 stockholders, only 43 per cent read the reports with any care. To a full 20 per cent of the women stockholders sampled, the reports were a waste of time and money; they disregarded the corporate sendouts altogether.

Reaction to such hoary, time-honored data as 10-year comparisons of income accounts and balance sheets was practically nil. If the Roper-tested stockholders were losing any appreciable amounts of sleep over their investments, their insomnia was caused by worry over the "strength and productivity" of the companies in which they owned equities. Right there is where the measures proposed in this discussion fit like a custom-made glove! For it is precisely the "strength and productivity" of U. S. enterprise which is at stake in the broad-scale effort to reduce our citizenry to dependence upon government.

**A**NOTHER bit of straw tossed to the wind was an incident that occurred toward the end of the annual meeting in Chicago of stockholders of one of the nation's major railroad systems. When routine business had been disposed of, a stockholder arose to ask the chair what shareholders in American enterprise could do to protect themselves against the new ideological slant of government. The response was polite but considerably less than help-

ful. Nowhere, it seemed, could equity owners turn for the sort of sharp, clear, "live" information that would be invaluable to them in fighting off the steady, insidious encroachment of the welfare state.

Meanwhile, mass lobbies of labor unions and extreme left-wing farm groups plump daily for the socialized economy. Thousands of pounds of paper and tons of mimeograph ink cross the desks of news editors and editorial writers throughout each working day. All of these groups are staunch defenders of free enterprise; all they really want, they say, is just a little Socialism to level out the economic hills and valleys. All they ask is what society "owes" them.

This assumption that a nation can have just so much Socialism and no more is by far the toughest nut the defenders of free enterprise are called upon to crack. The facts are all against such an assumption. It is being proved a glittering fallacy in Great Britain today. Even Sweden, that Heaven-on-earth of the hybrid, economy is finding out she can't point to a small core of basic industries and say with conviction, "When this is done, there will be no more." Those who argue that Socialism and Capitalism can live in sweet amity and tolerance not only mistake the very nature of both, but forget that much more than mere economics is involved.

**A**CONSTANTLY increasing proportion of the propaganda for soft Socialism—from government as well as from private sources—is addressed to women. This is so because the propagandists realize what many of us on the other side of the fence tend to for-



### Antidote for Creeping Socialism

**"A**TREMENDOUSLY wider ownership of equities by small- and middle-income families could easily be the best antidote yet discovered for today's creeping Socialism which masquerades as traditional American economic reform. But if wider equity ownership is to accomplish that result, the new shareholders will have to be much better informed than many millions of present shareholders appear to be regarding the true nature of about 99.9 per cent of today's socio-economic schemes."

get; i. e., that women are the most potent force in the economy today.

The *New York Times* recently pointed out that women own more than 52 per cent of the stock of General Motors Corporation and 47 per cent of all railroad shares currently outstanding. They outnumber men as stockholders in United States Steel, International Harvester, General Electric, American Telephone and Telegraph, du Pont, and many other leading corporations. It has been said, in fact, that women control 70 per cent of the privately held wealth of the United States.

Novelists, essayists, editorial writers, and the more romantic historians have dwelt for centuries on the innate sentimentalism of women; it was essential to man's place in the sun to cultivate the fantasy that the distaff side of society is by far the weaker.

JUNE 23, 1949

But every man who has built a home in this broad land of ours knows that beneath womankind's gentler exterior there exists a hard core of practicality. Women, by and large, keep society from falling apart. And, in the process of holding it together, they buy almost all of its food, influence to a remarkable extent the choice of male apparel, and generally maintain a subtle but none the less firm hold on family finances—even amusements.

**H**ERE, then, is a powerful economic group (some 55,000,000 individuals) to which the dangers of creeping Socialism ought to be hammered home. This potent segment of the population is the constant target of handouts from the CIO's left-wing economists. Even the U. S. Department of Labor has a section devoted to women's interests.



## CAN STOCKHOLDERS ACCEPT THE "WELFARE" STATE?

Thousands of women are, moreover, in search of enlightenment and in a mood to exercise their influence in positive ways—even to taking a hand in industrial management. The Federation of Women Shareholders in American Business is an alert, aggressive organization. It is actively seeking places for some of its members on the directorates of major companies. That there will be initial resistance to this movement goes without saying. But it is already possible to find men in management who would bet privately that big business eventually will find it necessary to take women stockholders into its innermost councils.

THE utility industry should have a great deal to contribute to the sum total of stockholder knowledge of what is happening to private enterprise in these United States. Certainly no other industry knows quite so well at this writing what free enterprise encounters when it is forced to compete

with our major venture into Socialism to date—the Tennessee Valley Authority. No industry is better equipped to prove that when ours is a land divided up into regional power authorities, each paying self-determined sums "in lieu" of taxes and with its own peculiar methods of allocating its costs, the areas left to utilities financed by the sale of securities to private investors will be so small that the very existence of the industry will be threatened.

The late Huey Long once said that if Fascism ever comes to the United States, we will call it something else. As matters stand at the moment it isn't Fascism we must fear, but what Long said is equally applicable to Socialism. We are already calling it Dynamic Democracy and telling ourselves that we are being engulfed in a tide of irresistible force. Are we going to cave in to this doctrine of inevitability, or are we going to show U. S. investors what a bogey it really is?

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**"T**HERE is only one boss in America and the 9,000,000 individual enterprises must accept the dictation. That boss is the customer. Every time a customer makes a purchase, he casts a vote for or against a business. That vote determines which business shall be big and which shall be small, which shall grow and which shall fail. There is only one way it can become a big business, and that is by winning the votes that are cast daily by the American buyer.

*"America's sixty million workers work only at the pleasure of the customer. And these sixty million workers are its customers. As workers they insist on higher wages; as customers they demand low prices. Under this tremendously competitive pressure, business is forced to operate with greater efficiency so as to produce better goods at lower cost. Unless it is smart enough to accomplish this, it cannot survive."*

—PAUL F. CLARK,  
President, John Hancock Mutual  
Life Insurance Company.

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## Washington and the Utilities

### *CVA Hearings Off to Slow Start*

CHAIRMAN Chavez (Democrat, New Mexico) of the Senate Public Works Committee probably sounded the keynote, unwittingly, to the hearings on the Columbia Valley Administration legislation in the 81st Congress when he said, at the opening session: "Everyone is allowed to inquire into the CVA as much as they want to." Apparently everybody is going to accept the invitation, or so it seems. So, the prospect of the various bills being talked to death is certainly very strong at the moment.

The full Senate committee is considering four bills: S 1645 by Senator Magnuson (Democrat, Washington), and S 1595, 1631, and 1632 by Senator Cain (Republican, Washington). It also is examining in some detail the "comprehensive plans" of the Army Engineers and Bureau of Reclamation for the Columbia river. First witnesses before the committee were Senator Magnuson, General L. A. Pick, Chief of Engineers, U. S. Army, and Michael W. Straus, Reclamation Bureau head.

No clear picture of the existing Federal agencies' future could be obtained from Magnuson's testimony. Magnuson testified that his bill, if enacted, would merely impose a "board of directors" over present multiagency development. He expressed the belief that this would be akin to TVA. Senator Watkins (Republican, Utah) picked up that one with the observation that TVA was built and operated on TVA's own force account work. Magnuson then admitted that Army Engineers and Reclamation Bureau personnel in the region would "be absorbed" by the new administration. Senators Cain and Watkins then wanted

to know whether the "primary purpose" of such a proposed new administration was "power." Magnuson stated, "Yes, power is as much a matter of defense as a battleship."

WATKINS suggested that "the U. S. does not attempt to develop all the power used in defense industries." He added that power could be purchased elsewhere. Magnuson said all the proposals for the basin "have been thrashed around in our minds," and that proponents of the measure have decided that a CVA is the only type of agency which can integrate and coordinate the whole plan.

Department witnesses disclaimed interagency discord over basin development in what can only be viewed as an attempt to make a CVA appear needless. General Pick stated that he knew of no Army Engineers-Reclamation Bureau disagreements, as reported in the press. Straus' remarks later seemed to support the Army Engineers' contentions. General Pick stated that from a construction standpoint formation of a CVA created no advantage. He substantiated the fact that "funds, records, engineer personnel, and equipment," etc., would be transferred to the CVA if authorized by Congress. The General said that the Army was operating only the navigation locks in the TVA area.

Both Pick and Straus supported the comprehensive development agreement recently made by the Army and the Department of Interior. This plan has been dubbed the "Weaver-Newell plan" as it was authorized by Colonel T. D. Weaver and R. J. Newell, respectively the northwest district Army Engineer and Region I director for the Reclamation Bureau.

## WASHINGTON AND THE UTILITIES

It would operate for the Columbia basin in a manner similar to the Pick-Sloan plan, which was set up for the Missouri river basin, in lieu of, or prior to, establishment of the proposed CVA.

Existence of "honest opposition" to the CVA proposals was admitted by Senator Magnuson, who introduced the administration's measure. Chairman Chavez, in his opening remarks, mentioned the fears of CVA opponents and stated that the committee has "no preconceived philosophies on the proposed Columbia Valley Administration." Magnuson felt that it was inevitable that some people conjure up "bogey men" every time a departure from the status quo is suggested. He hoped such opposition would serve useful democratic purposes in preventing "hasty action," but feared that such opposition might frustrate the proposal.

### Army Projects in the Columbia Basin

AMONG the facts and figures supplied in the course of General Pick's testimony was a summary of projects of the Army Engineers in the Columbia basin. One interesting feature was the "economic ratio" of benefits to cost which was given as 1.35 to 1. In other words, for each dollar spent, \$1.35 would be returned, theoretically, in the shape of a tangible benefit. Such was the claim, in any event. The cost and capacity of these projects are shown in the table below.

### No Pipe Line for AEC

THE congressional Joint Committee on Atomic Energy has unanimously turned down a natural gas pipe line to

Oak Ridge, Tennessee, for the Atomic Energy Commission. The full committee adopted the conclusions arrived at by a subcommittee headed by Representative Durham (Democrat, North Carolina): (1) Adequate coal stockpiling appears to be feasible at Oak Ridge to insure continuous power plant operation. (2) Reliance on fuel resources outside the local area does not appear compatible with the original selection of the Oak Ridge site or in the best interest of defense and security. (3) The AEC action has been taken without consultation with the National Security Resources Board. (4) Substantial improvement in the national fuel picture in the past eighteen months has not been reflected in the commission's action. The FPC approved the project on the AEC certification that the pipe line was "necessary for the common defense and security of the nation."

### FPC Majority Consolidated

ALTHOUGH Senator Martin (Republican, Pennsylvania) was the sole opponent to speak on the Senate floor against confirmation, the nomination of Commissioner Buchanan to the FPC was approved by the U. S. Senate June 6th. Buchanan's term will expire June 22, 1952.

The majority which has controlled the FPC on certain controversial policy matters—notably, Natural Gas Act interpretation—has thus been consolidated. But there is still a possibility of some further opposition from Senators in gas-producing states to confirmation of Commissioner Leland Olds, whose present term was to expire June 22nd. President Truman renominated Olds for another full term earlier this month.

	Power Installation	Estimated Cost
Projects completed .....	518,000 kw	\$ 91,000,000
Under construction (authorized) ....	956,000 kw	379,000,000
Authorized, but not started .....	2,004,000 kw	538,582,000
Recommended, but not authorized (Army Engineers' "308" report) ...	4,205,000 kw	1,570,000,000
Total .....	7,683,000 kw	\$2,578,582,000



## Financial News and Comment

By OWEN ELY

### *Electric Power Output and Investment*

THE *Survey of Current Business* for May contains an 8-page article on "Electric Power Output and Investment" by Joseph B. Epstein. This analyst in the National Economics Division, Office of Business Economics, holds that the 4,000,000 kilowatts of new capacity installed in 1948 were just about enough to take care of normal secular growth. He adds:

To meet the total increase in demand for power it has been necessary to operate existing capacity well above the optimum rate, leaving a margin of reserve capacity that is too small. How much additional capacity is required to relieve this situation is a matter of business judgment and therefore not subject to precise calculation. It is clear, however, that this requirement is large, amply justifying the industry's plans to add around 6,000,000 kilowatts per year over the next three years.

Perhaps Mr. Epstein's conclusions were reached before the decline in business reached its present proportions; at any rate, it seems unlikely now that such a heavy program can be safely consummated.

Mr. Epstein has studied the consumption of electric power during the years 1922-48, broken down into the four most important categories—industrial, domestic, commercial, and public service. In-

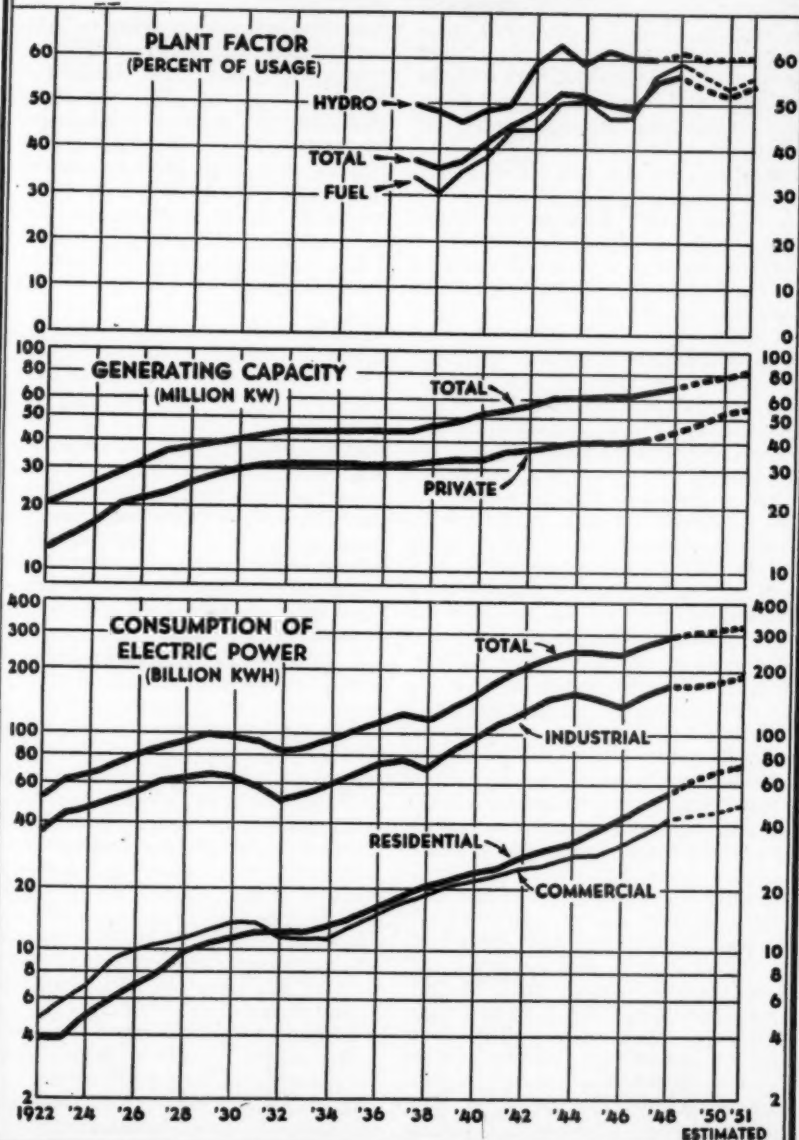
dustrial consumption, accounting for three-fifths of total output, is of course affected by cyclical fluctuations which may cancel or disturb the secular trend. Secular growth is about 5 per cent annually compared with only 3 per cent for national output, the difference being due to increasing use of power per worker, and new uses of power for making light metals, paper, and chemicals. During depressions the industrial use of power does not decline proportionately to the drop in employment, since some industrial use of power is relatively fixed. The 7 per cent growth in 1948 reflected a 2 per cent "cyclical" gain in addition to the 5 per cent secular gain.

RESIDENTIAL use of electricity, which accounts for 19 per cent of the total, appears to gain about 7-8 per cent per annum regularly, although in the early 1920's it rose almost 20 per cent per year. Gains represent a combination of three trends: the number of occupied dwelling units, the proportion wired for electricity, and the average consumption per home. The growth in dwellings is only 1-2 per cent per year but a number of old units have been wired so that the growth in wired units has been faster. But as over 90 per cent of dwelling units are now wired, this factor in secular gain will tend to disappear in the next few years.

Use per wired home has continued to grow at about the same percentage rate since 1922, although in the years 1932-3 there was a slight setback, after which gains were resumed. There seems every

# GROWTH OF ELECTRIC POWER - OUTPUT VS. CAPACITY

(USER-OWNED PRODUCTION INCLUDED)





## PUBLIC UTILITIES FORTNIGHTLY

reason to expect this secular growth to continue. The electric refrigerator is used in only about one-fifth of our wired homes. Saturation remains low on other appliances which are heavy consumers of electricity. With the number of families continuing to increase 1-2 per cent per annum and usage about 5 per cent, the secular gain of 8 per cent appears likely to continue, even though increases in the proportion of wired homes may soon taper off. There is very little cyclical change in this upward trend.

Commercial use of power amounts to about 15 per cent of total consumption. The rate of secular growth has tended to decline, being currently around 5-6 per cent per annum compared with 12-13 per cent in the early 1920's. Most establishments are now fully electrified. The present rate of growth appears likely to continue but subject to moderate cyclical fluctuations. Thus the recession of 1937-8 caused comparatively little slowing up in consumption, although there was a fair-sized setback in the years 1931-3.

In the fourth category, public service sales make up only about 5 per cent of the total. They used to grow at the rate of 3½ per cent a year, but recently they have lagged. Summarizing, we have the recent results shown below.

**T**URNING to the actual figures for 1949 to date, we find that residential gains have continued at an abnormal rate of 14 per cent over 1948, while industrial gains dropped from 7 per cent in January to 1 per cent in March (and probable decreases in later months). Commercial output maintained a middle

position. Total March sales were still up 6 per cent, and the latest weekly figures show a gain of only 4 per cent. Thus the greater-than-cyclical gain for residential sales has thus far more than offset the poor showing of industrial sales. Assuming that industrial sales for 1949 may approximate those of 1948 (earlier gains offsetting later declines), and assuming that residential gains continue at about 14 per cent and commercial at perhaps 6 per cent, this would mean an over-all increase for 1949 of about 4 per cent.

During the first four months of 1949 gains in installed capacity have been as follows (not including independent industrial plants):

January .....	309,309 KW
February .....	542,959
March .....	311,149
April .....	239,418
Total .....	1,402,835

It appears likely that installations during the balance of the year may be slightly accelerated due to deliveries being available earlier than anticipated, and total installations this year may equal 5 billion kilowatts or an increase of about 9 per cent over the 56,463,509 kilowatts reported at the end of 1948. (This compared with a gain of 8 per cent in the previous year.) The utilities should obviously be able to make some increase in reserve capacity this year.

The major problem for utility executives at this time, perhaps, is whether to curtail their expansion programs for 1950-51. In some cases these appear quite ambitious. Middle South Utilities, the new electric holding company created



### ANALYSIS OF GAINS IN KILOWATT-HOUR SALES IN YEAR 1948

	Secular Gains		Special Gains		Total Gains	
	Bill KWH	Per Cent Incr.	Bill KWH	Per Cent Incr.	Bill KWH	Per Cent Incr.
Industrial .....	9.0	5.4%	3.5	2.1%	12.5	7.5%
Residential ....	4.0	8.1	3.3	6.7	7.3	14.8
Commercial ...	2.3	6.0	2.5	6.5	4.8	12.5
Public Service ..	.6	3.7	-.5	-3.1	.1	.6
Total .....	15.9	5.9%	8.8	3.3%	24.7	9.2%



## FINANCIAL NEWS AND COMMENT

in the dissolution of Electric Power & Light, plans about a 90 per cent increase in capacity in the three years 1949-51—110,000 kilowatts in 1949, 132,000 in 1950, and 330,000 in 1951. On the other hand, some utilities are announcing moderate curtailments in their plans; Consumers Power has lopped off about \$6,000,000 worth of construction from its 1949 program. The ability to obtain new generators and other equipment more easily and quickly than was the case during 1941-48 may lead some utilities to modify future programs and gear them somewhat closer to industrial activity, which now seems to be in a sharp down turn.

**H**ow much increase in the margin of safety, or spare capacity, is really necessary? Speakers at the EEI convention recently stressed the fact that there had been no real shortage of electricity despite oft-reiterated government forecasts of a breakdown. But it is generally agreed that, while greater interconnection and increased efficiency (in excess of name-plate capacity) make the old reserves unnecessary, some improvement over present conditions is necessary.

Dr. Epstein's article contains some interesting data on capacity and peak-load demand. The annual plant factor (actual output as per cent of potential output if all plants were operated continuously) has increased for all utility companies from 35.5 per cent in 1938 to 59.2 per cent in 1948; the increase for fuel plants was from 30.4 to 55.6 per cent in 1947. The peak wartime figure was 51.1 per cent. He thinks that 51 per cent might be about the right figure. Assuming that this guess is correct, the electric utilities should have had about 6,600,000 (or 16 per cent) more kilowatts capacity at the end of 1948. On this basis, it would require about three years' increase at the present rate (through 1951) to attain this proportion of reserve capacity, assuming that conditions in 1950-51 remain about as at present with continuing gains of about 4 per cent in sales due to the secular influences named above. This assumes that industrial activity would remain

around or below current levels, but that residential output would maintain a greater than secular rate of gain. The utilities would thus have some theoretical justification for continuing their current program for another two years. However, utilities in the South and West would seem to be justified in planning much larger increases than the New England companies, since weekly gains of 12 per cent were recently reported for the latter areas compared with a 3 per cent decline in New England.

But the utilities have another vital problem to face—will the earnings position and the financial structure stand the strain of building a 16 per cent increase in plant merely for the purpose of creating substantial reserve capacity? Are the state commissions willing to allow further increases in rates—or a decline in the equity ratio of the financial structure—sufficient to support this additional plant, which will be earning money perhaps for only a few days of the year during periods of peak demand?

**O**F course some companies are in the fortunate position of being in rapid growth areas, where rate increases will not be necessary to sustain increased charges and the dilution of common stock earnings. However, even these companies must decide whether or not the extra reserve capacity constitutes a luxury, which may deprive common stockholders of increased earnings and dividends. There is also a good possibility that by delaying or spreading the rest of the construction program over an additional year or two, lower construction costs will be obtainable.

In the chart on page 865 (based on historical data in the Epstein article) estimated trend figures have been projected through 1951. We have assumed that the 1949 program would increase capacity by 5,000,000 kilowatts, but that next year's program would be curtailed to 4,000,000 and the 1951 to 3,000,000. This might mean a moderate increase in plant factor for 1951, but there should still be a considerably better margin of safety than for 1948, it is estimated.

## PUBLIC UTILITIES FORTNIGHTLY

Mr. Epstein gives some data for steam and hydro generating capacity on order and scheduled for shipment as of October 1, 1948. Excluding foreign orders but including industrial plants, the totals would be as follows:

1949 .....	6,413,000 KW
1950 .....	6,163,000
1951 .....	3,187,000

In comparing these figures with the estimated projections just mentioned, allowance must be made for abandonments of old plants and cancellation of orders. It is understood that most contracts contain a cancellation clause, effective if work has not actually started on the order; and that even where work has started on a new unit, the equipment can usually be "placed on the shelf" if the maker is reimbursed for costs to date.

Unless large orders for 1951 have been placed since last October and remain uncanceled, it appears likely that 1949 may mark the greatest year's expansion of utility capacity for a long time to come. This conclusion might prove wrong if the Federal government should decide to accelerate its construction of big hydro projects, but this appears unlikely. In any event, the private utility industry should not allow itself to be unduly influenced by inflated Federal estimates of future power needs to sacrifice its security holders' interests, and endanger the financial stability of the industry.

### March Net Income 13 Per Cent Over Last Year

**D**ESPITE a slightly pessimistic forecast for March earnings of electric utilities, net income for that month continued to make a very favorable showing. Although kilowatt-hour sales gained only 2.7 per cent and revenues 6.4 per cent, the utilities were able to increase their gross income 12.1 per cent over March, 1948, and net income 13.1 per cent. The latter figure compared with gains of 10.3 per cent in February and 11.9 per cent in January. This favorable result was due to (1) continued fuel savings; (2) less than 2 per cent increase in miscellaneous

expense, probably due to maintenance savings; (3) an increase of 10.1 per cent in earnings from gas and miscellaneous operations; and (4) a saving in interest charges due to crediting of "interest on construction." Electric utility plant investment showed an increase of 11.6 per cent over 1948, about the same gain as in earlier months. However, advance figures for the increase in installed capacity for the month of April show an apparent slowing down, only 239,418 kilowatts being installed in that month compared with 311,149 kilowatts in March.

In the first quarter of 1949 preferred dividends increased only 2.8 per cent over the previous year and dividends on common stock decreased 1.6 per cent. These changes seem small considering interim preferred stock financing, and issues of rights for subscriptions to common stock. Obviously the utilities are not taking advantage of rate increases to increase dividend rates on their common stocks, except perhaps in isolated cases.

**A**DVANCE figures for April fuel consumption indicate a reduction of over 9 per cent in tons consumed from last year and 13.7 per cent below March this year. Stockpiles on hand are now good for 118 days, compared with 57 days a year ago, indicating heavy protection against a possible strike by the Lewis cohorts. Fuel oil stocks, in contrast, would last only 62 days. Now that these stockpiles have been accumulated it appears likely that fuel costs may show more substantial declines from last year, which should help bolster earnings for the remainder of the year.

### Statistics of Utility Financing

**T**HE *Commercial & Financial Chronicle* has compiled statistics of utility financing since 1919 but this compilation remains deficient in that it does not distinguish between (1) electric and other utilities, (2) does not separate mortgage bonds and debentures, and (3) lumps together preferred and common stocks. (It also publishes a complete list of offerings, however, from which any de-

## FINANCIAL NEWS AND COMMENT

sired statistics could be compiled.) Other agencies which in recent years have been compiling lists or statistics of utility financing include the Edison Electric Institute, Ebasco Services, the Irving Trust Company, *Electrical World*, and this department.

The Irving Trust Company for the past year has been issuing a monthly tabulation of "Public Utility Security Price Data" showing the average current yields for three classes of bonds, three groups of preferred stocks, and three groups of common stocks (also the price-earnings ratios or equities).

### *The New Holding Companies*

SOME of the older holding companies, as they disappear, are leaving behind them regional holding companies of streamlined and integrated character, which have "cleared" the requirements of the Public Utility Holding Company Act. Thus Middle West leaves about half its system in Central & South West, a successful holding company in the rapidly growing Texas-Oklahoma area. In the same manner Electric Power & Light has created Middle South Utilities (formerly nicknamed ALMNO)—controlling its four southern subsidiaries. Commonwealth & Southern has already set up its Southern Company. American Power & Light created a smaller system, Texas Utilities Company, to control three Texas subsidiaries; and it also proposes to continue in existence (with simplified setup) as a temporary regional holding company for Pacific Northwest provinces.

The new systems in the South have gotten off to an auspicious start and their stocks seem likely to prove popular with investors because of the current rapid growth of the subsidiaries, some of which are substantial users of natural gas as boiler fuel. Also, they have already proved their worth as media for providing equity money for the subsidiaries; Central & South West successfully issued its own stock for this purpose last December, while Middle South and Southern Company have obtained large

funds from the top holding companies to pass along to their operating families.

CENTRAL & SOUTH WEST is currently selling around 11½, is earning \$1.39 on the increased number of shares, and is paying 80 cents. Middle South is quoted "when issued" around 14½; earnings (after allowance for holding company expenses and taxes) are estimated to be around \$1.60, and the proposed dividend rate is \$1.10. Southern Company is not yet quoted but it is surmised that it may sell initially around 8 or better.

### *Stock Tables Extended*

THE table of electric utility company common stocks, which appears in every other issue of this department, has now been extended to include virtually all of the publicly held dividend-paying issues. A list of 28 stocks of companies whose revenues amount to less than \$5,000,000 a year has been added, in this issue.

The arrangement of these stocks by size-groups is intended to facilitate comparisons of stocks which are on a somewhat similar basis. As indicated by the group averages, the stocks of the smaller companies tend to sell on a higher yield basis, and at lower P-E ratios. Another possible method of arrangement would be by states or geographical areas, which would be of interest from the standpoint of growth, rate regulation, etc. On the other hand, some readers might prefer one straight alphabetical list of all stocks, for quick reference, with an additional column showing approximate revenues. Expressions of opinion from our readers will be welcome.

There are many interesting ratios which could be added to the table if space permitted. The proportion of gross revenues remaining available for common stock dividends seems of special interest, since it serves to reflect either a high operating ratio or a low proportion of equity capital. Accordingly the figures have been inserted—space being obtained by indicating monthly earnings' periods in footnotes.

# PUBLIC UTILITIES FORTNIGHTLY

## DIVIDEND-PAYING ELECTRIC UTILITY STOCKS

		6/1/49	Indicated	Share		Earnings	Price		% of Rev.
		Price	Dividend	Approx.	Cur.	Prev.	% In-	Earn.	% of Rev.
		About	Rate	Yield	Period	Period	crease	Ratio	Com. Stock
<b>Revenues \$50,000,000 or over</b>									
B	Boston Edison .....	42	\$2.80	6.7%	\$2.90d	\$2.75	5%	14.5	11%
S	Cincinnati G. & E. ....	29	1.40	4.8	3.38m	2.78	22	8.4	13
S	Cleveland Elec. Illum. ....	41	2.20	5.4	2.55m	2.34	9	16.1	11
S	Commonwealth Edison ....	26	1.50	5.8	1.81m	1.94	D7	14.4	10
S	Consol. Edison of N. Y. ....	22	1.60	7.3	2.09m	2.20	D5	10.5	7
C	Consol. Gas of Balt. ....	65	3.60	5.5	4.45m	4.16	7	14.6	8
S	Consumers Power .....	34	2.00	5.9	2.41a	2.41	—	14.1	13
S	Detroit Edison .....	22	1.20	5.5	1.69a	1.51	12	13.0	8
C	Duke Power .....	77	4.00	5.2	6.59m	6.54	1	11.7	12
S	Northern States Power ....	10	.70	7.0	.92m	.79	16	10.7	13
S	Pacific G. & E. ....	32	2.00	6.3	2.16m	2.04	6	14.8	8
S	Penn Power & Light .....	19	1.20	6.3	2.24a	1.67	34	8.5	9
S	Philadelphia Elec. ....	23	1.20	5.2	1.70m	1.66	2	13.5	12
S	Pub. Service E. & G. ....	22	1.60	7.3	1.97d	2.41	D18	11.2	8
S	So. Calif. Edison .....	32	2.00	6.3	2.57m	1.60	61	12.4	7
S	Virginia Elec. Power ....	17	1.20	7.0	1.29a	1.32	D2	13.2	9
S	Wisconsin Elec. Power ...	18	1.10	6.1	1.97m	1.71	15	9.2	8
Averages .....				6.1%	12.4				
<b>Revenues \$25-\$49,000,000</b>									
S	Carolina P. & L. ....	28	\$2.00	7.2%	\$3.43a	\$3.08	11%	8.2	13%
O	Central Ill. P. S. ....	15	1.20	8.0	1.77m	1.74	2	9.0	15
O	Connecticut L. & P. ....	56	3.25	5.7	3.64m	3.32	10	15.4	12
S	Dayton P. & L. ....	30	1.80	6.0	2.75m	2.34	18	10.9	13
S	Houston L. & P. ....	45	2.20	4.9	3.58a	3.39	6	12.6	16
S	Illinois Power .....	29	2.00	6.9	3.30m	2.79	18	8.8	15
S	Louisville G. & E. ....	27	1.80	6.7	2.95d	2.25	31	9.1	12
O	New Orleans Pub. Ser. ....	34	2.25	6.6	2.89m	2.53	14	11.8	8
O	New York State E. & G. ..	47	3.40	7.2	4.84m	4.56	6	9.8	8
O	Northern Ind. P. S. ....	17	1.20	7.1	2.26m	2.06	10	7.5	11
S	Ohio Edison .....	31	2.00	6.5	2.88a	2.71	6	10.8	14
O	Ohio Public Ser. ....	16	1.12	7.0	1.51d	1.38	9	10.6	15
S	Potomac Elec. Power ....	13	.90	6.9	1.22m*	1.04	17	10.6	11
S	Pub. Ser. of Colo. ....	41	2.20	5.4	4.68m	3.69	27	8.8	14
O	Pub. Ser. of Ind. ....	24	1.60	6.7	2.57m	2.17	18	9.3	17
O	Puget Sound P. & L. ....	14	.80	5.7	1.52m	1.77	D14	9.2	11
Averages .....				6.5%	10.1				
<b>Revenues \$10-\$24,000,000</b>									
O	Atlantic City Elec. ....	18	\$1.20	6.7%	\$1.40a	\$1.39	6%	12.2	12%
S	Birmingham Elec. ....	9	—	—	1.27m	.96	32	7.1	4
O	Central Ariz. L. & P. ....	11	.70	6.4	1.22a	.73	67	9.1	13
S	Central Hudson G. & E. ...	7	.52	7.4	.60m	.49	22	11.7	6
O	Central Ill. E. & G. ....	20	1.30	6.5	2.14m	2.22	D 4	9.4	11
O	Central Maine Power .....	16	1.20	7.5	1.58a	.99	60	10.1	15
S	Columbus & S. Ohio E. ....	21	1.40	6.7	2.06m	2.18	D 6	10.2	13
O	Connecticut Power .....	33	2.25	6.8	1.93d	2.39	D19	17.1	11
S	Delaware P. & L. ....	20	1.20	6.0	1.76m	1.26	40	11.4	12
S	Florida Power Corp. ....	16	1.20	7.5	1.64m	1.38	19	9.8	11
S	Gulf States Util. ....	19	1.20	6.3	1.60m	1.37	17	11.9	17
C	Hartford Elec. Light ....	46	2.75	6.0	2.77d	2.90	D 4	16.6	14
S	Idaho Power .....	33	1.80	5.5	3.22m	2.04	58	10.3	19
S	Indianapolis P. & L. ....	25	1.60	6.4	3.11d	2.76	13	8.1	14
O	Interstate Power .....	8	.60	7.5	1.23m	—	—	6.5	13
O	Iowa Pub. Ser. ....	16	1.00	6.3	1.65a	1.32	25	9.7	9
O	Kansas Gas & Elec. ....	28	2.00	7.2	2.79a	2.42	15	10.0	12
O	Kansas Power & Light ....	15WD	1.00E	6.7	1.45d	1.35	7	10.4	14
O	Kentucky Utilities .....	11	.80	7.3	1.51m	1.07	41	7.3	12
O	Minnesota P. & L. ....	25	2.20	8.8	3.12d	2.88	8	8.0	14

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(Continued)

	6/1/49 Price About	Indicated Dividend Rate	Approx. Yield	Share Cur. Period	Earnings Prev. Period	% In- crease	Price % of Rev. Earn. Avail. for RatioCom. Stock
C Mountain States Power ...	32	2.50	7.8	4.72f	4.58	3	6.8 12
O Oklahoma G. & E. ....	36	2.40	6.7	3.68m	3.48	6	9.8 14
O Portland Gen. Elec. ....	24	1.80	7.5	2.60d	2.60	—	9.2 14
O Public Ser. of N. H. ....	24	1.80	7.5	1.90a	1.54	23	12.6 12
O San Diego G. & E. ....	13	.80	6.2	.85m	.89	D 5	15.4 6
S Scranton Elec. ....	13	1.00	7.7	1.08a	1.28	D16	12.1 14
S South Carolina E. & G. ...	8	.60	7.5	1.29m	1.04	24	6.2 10
O Southwestern Pub. Ser. ...	28	2.00	7.2	2.62m	2.30	14	10.7 22
C Tampa Electric ....	27	2.00	7.5	2.17m	2.18	—	12.4 12
O United Ill. ....	44	2.25	5.1	2.60d	2.56	2	17.0 16
C Utah Power & Light ....	24	1.60	6.7	2.78a	2.41	15	8.7 16
O Western Mass. Cos. ....	28	2.00	7.2	2.30d	2.41	D 5	12.2 12
O Wisconsin P. & L. ....	14	1.12	8.0	1.33m	1.37	D 3	10.5 11
Averages .....			6.9%				10.6

## Revenues \$5-\$10,000,000

C California Elec. Pr. ....	7	\$ .60	8.6%	\$ .75m	\$ .75	—	9.3 10%
O Calif. Oregon Power ....	24	1.60	6.7	2.99m	2.28	31%	8.1 17
O Central Vermont P.S. ....	9	.68	7.6	.63a	.39	62	14.3 6
C Community Pub. Ser. ....	30	2.00	6.7	3.98m	3.32	20	7.6 12
O El Paso Electric ....	27	1.60	6.0	3.09m	2.74	13	8.8 20
S Empire Dist. Elec. ....	17	1.24	7.3	2.02m	2.17	D 7	8.4 11
O Gulf Public Service ....	11	.80	7.3	1.40ag	1.21	16	7.9 13
O Iowa Southern Util. ....	14	1.00	7.1	1.98a	1.42	39	7.1 8
O Lawrence G. & E. ....	33	2.60	7.9	2.41d	2.48	D 3	13.7 9
O Lynn G. & E. ....	76	5.00	6.6	5.02d	5.87	D14	15.1 16
O Madison Gas & Elec. ....	24	1.60E	6.7	2.00d	1.92	4	12.0 12
O Michigan Gas & Elec. ....	16	1.20	7.5	2.00m	2.16	D 7	8.0 9
O Missouri Utilities ....	14	1.00	7.1	1.96d	1.75	12	7.2 12
O Northwestern P. S. ....	9	.80	8.9	1.32m	1.24	6	6.9 11
O Otter Tail Power ....	18	1.50	8.4	1.62d	1.58	2	10.7 9
C Penn Water & Power ....	35	2.00	5.7	4.81	4.32	11	7.5 24
O Public Ser. of New Mco. ..	15	1.00	6.7	1.75m	1.49	17	9.5 14
O Rockland L. & P. ....	8	.50	6.3	.54d	.68	D21	14.8 12
O Sioux City G. & E. ....	31	2.00	6.5	3.05a	2.62	17	10.1 10
O Southern Ind. G. & E. ....	20	1.50	7.5	2.39m	2.26	6	8.4 15
O Tide Water Power ....	7	.60	8.6	.82a	.96	D15	8.8 7
Averages .....			7.2%				9.7

## Revenues under \$5,000,000

O Arizona Edison ....	14	\$1.00	7.1%	\$1.94d	\$1.17	66%	7.2 8%
O Arkansas Missouri P. ....	12	1.00	8.3	1.77d	1.78	—	6.8 14
O Bangor Hydro Elec. ....	23	1.60	7.0	2.99d	2.82	6	7.7 15
O Beverly G. & E. ....	32	2.40	7.5	2.10d	2.19	D 4	15.2 6
O Black Hills P. & L. ....	16	1.20	7.5	1.90j	1.46	30	8.4 13
O Calif. Pacific Util. ....	30	2.40	8.0	3.89m	4.85	D20	7.7 9
O Central Louisiana E. ....	27	1.60	5.9	3.44m	1.69	105	7.9 18
O Central Ohio L. & P. ....	26	1.60	6.2	3.00m	2.75	9	8.7 10
O Citizens Utilities ....	8	.50	6.3	1.81m	1.41	28	4.4 12
O Colorado Central P. ....	28	1.80	6.4	3.23m	2.70	20	8.7 11
O Concord Electric ....	34	2.40	7.1	2.17d	2.30	D 6	15.7 11
O Derby G. & E. ....	18	1.40	7.8	1.25d	1.47	D15	14.4 10
O East Coast Electric ....	16	1.20	7.5	1.61m	1.88	D14	10.0 14
O Fall River Elec. Lt. ....	46	3.40	7.4	3.55d	3.32	7	13.0 16
O Fitchburg G. & E. ....	38	2.75	7.3	2.68d	2.85	D 6	14.2 11
O Frontier Power ....	6	.80	13.3	.84d	1.14	D26	7.2 10
O Haverhill Elec. ....	21	0.95	4.5	1.10d	1.48	D26	19.2 6
O Lake Superior Dis. P. ....	20	1.40	7.0	1.51m	2.76	D45	13.3 5
O Lowell Elec. Lt. ....	38	3.00	7.9	2.36d	2.62	D10	16.1 9
C Maine Public Service ....	13	—	—	1.04d	1.79	D42	12.5 9
O Michigan Public Ser. ....	18	1.40	7.8	1.97m	1.38	43	9.2 8



# PUBLIC UTILITIES FORTNIGHTLY

(Continued)	6/1/49 Price About	Indicated Dividend Rate	Approx. Yield	Share Earnings		% In- crease	Price Earn. Avail. for Ratio Com. Stock	% of Rev. Com. Stock
				Cur. Period	Prev. Period			
O Missouri Edison .....	7	.70	10.0	.93d	1.04	D11	7.5	9
C Missouri Public Ser. ....	28	1.60	5.7	3.92d	4.21	D 7	7.2	13
O Newport Elec. ....	23	1.80	7.9	2.40a	2.63	D 9	9.6	11
O Sierra Pac. Power .....	23	1.60	7.0	2.05m	2.06	—	10.2	13
O Southern Colorado Pr. ....	10	.70	7.0	1.15f	1.13	2	8.7	14
O Southwestern Elec. Ser. ...	11	.80	7.3	1.33f	1.17	14	8.3	14
O Tucson Gas, E.L. & P. ....	17	1.20	7.0	2.08a	1.66	26	8.2	16

Averages ..... 7.4% 10.3  
Averages, five groups ... 6.9% 10.6

## Canadian Companies

C Brazilian Trac. L. & P. ....	18	\$2.00	10.5%	\$4.00d	\$3.69	8%	4.5	—
C Gattineau Power .....	17	1.30	7.6	1.26d	1.63	D23	13.5	—
C Quebec Power .....	16	1.00	6.3	1.14d	1.21	D 6	14.0	—
C Shawinigan Power .....	24	1.20	5.0	1.58d	1.63	D 3	15.8	—
C Winnipeg Electric .....	33	1.40	4.3	1.81d	1.96	D 8	18.0	—

## Integrated Holding Company Stocks

C American Gas & Elec. ....	42	\$2.50E	6.0%	\$4.49m	\$4.25	6%	9.4	—
S Central & South West ....	12	.80	6.7	1.39m	1.25	11	8.7	—
S Middle South Util. ....	15	1.10E	7.3	1.74m	1.42	23	8.6	—
S New England E. System ..	9	.80	8.9	1.08d	1.35	D20	8.4	—
O New England G. & E. ....	11	.80	7.3	1.48a	1.20	16	7.5	—
S West Penn Elec. ....	20	1.50	7.5	3.74m	3.28	14	5.4	—

Averages ..... 7.3% 8.0

## Other Holding Company Stocks

C American L. & Tr. ....	23	\$1.20	5.2%	\$ .84d	\$1.40	D40%	—	—
C Electric Bond & Share ....	13	Stock	—	—	—	—	—	—
S General Pub. Util. ....	13	.80	6.2	2.12m	1.86	14	6.2	—
S North American .....	18	1.00	5.6	2.15*m	—	—	8.4	—
C Philadelphia Co. ....	12	.70	5.9	.89d	.77	16	13.6	—
S United Gas Imp. ....	20	1.30	6.5	1.40m	1.87	D25	14.4	—
C United Light & Rys. ....	29	—	—	3.50d	3.04	15	8.3	—
O West Penn Power .....	32	2.00	6.3	2.52m	2.23	13	12.7	—

Averages ..... 6.0% 10.6

B—Boston Exchange. C—Curb Exchange. O—Over-counter or out-of-town exchange. S—New York Stock Exchange. E—Estimated. D—Decrease. \*Pro forma. WD—When delivered. †While these stocks are listed on the Curb, Canadian prices are used. a—April. ag—August. d—December. j—January. f—February. m—March.

## CURRENT COST OF FINANCING

### Yields on Various Types of Utility Securities

	1949 Range			1948 Range	
	Recent	High	Low	High	Low
*Government Bonds—Tax Exempt ....	1.63%a	1.82%	1.62%	2.08%	1.68%
—Taxable .....	2.37 a	2.40	2.36	2.44	2.38
*Utility Bonds—Aaa .....	2.72 b	2.77	2.70	2.90	2.72
—Aa .....	2.81 b	2.84	2.80	3.01	2.82
—A .....	2.94 b	3.02	2.93	3.09	2.92
—Baa .....	3.29 b	3.45	3.29	3.49	3.26
Utility Pref. Stocks—High grade ....	3.91 c	4.02	3.89	4.20	3.88
—Medium grade ...	4.47 c	4.57	4.40	4.65	4.44
Utility Common Stocks .....	6.04 c	6.26	5.88	6.41	5.48

\*Long term. a—May 31st. b—June 2nd. c—June 1st.





# What Others Think



## National Chamber Meeting Comments Worthy of Note

AT the recent annual meeting of the Chamber of Commerce of the United States held in Washington, D. C., a number of outstanding speakers presented their views on our present-day problems. Topics covered the entire field of domestic economic interest, business, labor, and government. Earl O. Shreve, retiring president of the national chamber, sounded the keynote of the meeting by making a frank indictment of the administration's plans for a "welfare state." At the same time, he indicated that avoidance of that pitfall would also free industry for unencumbered progress. On this Shreve commented:

A return to price controls and other market restraints would delay and perhaps halt the transition from abnormal boom conditions to a more solid and orderly pattern of prosperity. And, furthermore, to sustain that prosperity pattern we must have more than a freedom of markets. We must have freedom for the individual, freedom of opportunity, with our people depending on themselves, and not looking to the government for gratuities and sustenance.

He also discussed the current period of readjustment which he described as an "inevitable" process of getting supply and demand into harmony, and prices down to normal levels. Though painful to the national economy, Shreve stated, the shakedown in prices helps open the way for the longer-range risks of constructive enterprise and brings overdue relief to millions of consumers who have been squeezed between high taxes and high living costs.

HE believes that when the readjustment has run its course business

should find itself on a sounder and infinitely more satisfactory foundation. He advises that "the transition from boom to more stable prosperity may be slowed by rigid elements in the price structure—by high taxes, by price props, by heavy government spending—all of which will contribute to high production costs. Consumer price reductions find resistance in a high wage structure."

Shreve has the "welfare state" analyzed as follows:

The welfare state is a label that appeals to many. Everybody wants more security, better housing, better education, improved health facilities. The burning question is how these can best be provided. They should continue to be provided by private enterprise.

One thing is certain. The welfare of the people of this country will never be advanced by the strangling of productive enterprise through excessive taxes and government controls.

Nor will the public welfare be served by further depreciation of the dollar through resumption of inflationary Federal financing. Revival of Federal deficit spending would stand off constructive enterprise.

And such a standoff might also dissipate those attractive frontiers of the future, whence great opportunities are beckoning. And the development of new industries from the advances of science, technology, and management would be retarded.

As profits recede, according to Shreve, funds available from corporate earnings for reinvestment diminish, thus threatening urgent industrial expansion programs. New sources of capital could be obtained, he felt, from Federal tax revision. He declared:

## PUBLIC UTILITIES FORTNIGHTLY

The time has come for decision on this issue. Private capital investment is the crux in the question as between Socialism and enterprise. Socialism is systematically promoted through the starving of enterprise on a diet of inadequate investment.

Further approach in this country toward Socialism will inevitably be accompanied by higher taxes. And present tax laws today make impossible the accumulation of new capital so greatly needed for industrial expansion.

**F**RANCIS ADAMS TRUSLOW, president of the New York Curb Exchange, spoke on the future of business, specifically, "Improving the Foundations for Confidence." He stated in part:

... We are ... frustrated observers of a tragic spectacle—the spectacle of government frantically trying to provide security by taking away the inducements and drying up the sources of new capital, on which the system which is our only real hope for security depends. If this self-destroying spectacle were not so tragic, it would be ludicrous.

The threat to the foundations on which our confidence has so long rested which arises from our demands for government-granted stability and security, with its many heads of spending and taxes and controls, comes from ourselves. Basically it arises from ignorance among people in and out of government as to what makes our system tick. It is also the result of lack of the kind of courage which can oppose a popular demand, even though we know it to be similar to the insistence of a child for a shiny razor blade.

Harry A. Bullis, chairman of the board of General Mills, Inc., spoke on "Maintaining a Strong Domestic Economy." He stated a belief that we are moving toward a price structure that will result in a greatly expanded demand for consumer goods. He likened the economy of America to a great river which began

as a mere trickle with the founding of our country. He issued a call for "economic statesmanship" in the following:

We cannot beg the question of maintaining a strong domestic economy. It is our responsibility to see that our economy remains strong. ... Granted there are many obstacles, and many forces at work outside our domain. But today, more than ever before, the need is for businessmen who are economic statesmen, not merely slaves of the balance sheet. The welfare of millions of stockholders, employees, and consumers is involved in the decisions we make from day to day. Yes, we can truthfully say that the fate of our nation, to a large degree, depends on the positive and dynamic direction we give to economic conditions in our land.

Bullis also believes that industry must come to grips now with the problem of maintaining high employment. On this he said:

... It is the responsibility of business leadership to provide jobs and maintain them. If we fail, government will shoulder the load. The truth is that our country simply cannot afford the penalty of unemployment. Business cannot afford it, government cannot afford it, and the welfare of our people will not permit it.

Senator Harry F. Byrd (Democrat, Virginia) addressed the gathering on the topic of "Expenditures, Now and Later." He stated very frankly that the Federal budget of the United States is a tremendous thing, and equally tremendous in terms of taxes siphoned from the citizen's pocket, and the amount of money spent on a gigantic bureaucracy. One phase of the Federal budget that is of steadily growing importance is the increasing number of Federal expenditures being channeled into "long-term commitments on which no responsible government can renege—no matter what the condition of the treasury may be." Social programs of all types, he said, fall into this category if they are sincerely conceived. He added:

## WHAT OTHERS THINK

Huge public works projects require capital outlay expenditures over a period of years and, in addition, increased maintenance and operation costs are permanent.

Citing the public housing program as an example of one type of "long-term authorization," he said:

Another type is illustrated by the recommendation to authorize United States participation in construction of the proposed St. Lawrence seaway. This is the 1950 budget for a mere \$8,000,000, but the ultimate cost to the United States—for construction alone—is estimated at more than a half-billion dollars.

These, Senator Byrd said, are examples of "tiny acorns from which big spending oaks grow . . . all affect the general fund budget, the cost of which is met largely by straight Federal taxes on personal and corporate income, and by excise taxes on things and services we buy." Turning to the possibility of reducing expenditures, he stated:

Reduction in Federal expenditures can be accomplished—but only if there is a public demand for it which cannot be denied by a bureaucracy which has been raised on sixteen years of excessive spending—a bureaucracy which knows and practices the tricks of buying off such a demand with more spending.

He concluded his remarks with a warning which is, in contrast to his subject matter, simple and direct:

To analyze the Federal budget is a terrific job. I wish it were simpler. For, it is of absorbing interest to those who have been conscious of the trend which, for some time, has been developing in this country toward greater and more powerful central government; toward more all-inclusive control over the daily lives of our people, and the activities of our business. It is still going forward at a rapid pace.

Unless this trend is halted, we are headed for regimentation equal to that which the British are suffering, if not worse. Our strength is the strength of the private enterprise system. Strike it down and you will shear Samson's locks. Foster it and we shall continue to be the greatest nation on earth—a free nation with capacity and incentive. A nation in which 6 per cent of the world's population can outproduce the rest of the world combined.

These and many other fine statements were made at the chamber's annual meeting. Some of the more profound analyses cannot be excerpted without damaging their context. All of the papers read certainly deserve close attention by anyone who is interested in the current trends and problems facing our interdependent business and industrial economy.

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## Coal Gasification Unit to Provide New Data on Little-known Process

**I**N a statement prior to the dedication of a new synthetic liquid fuels plant at Louisiana, Missouri, Brehon Somervell, president of Koppers Company, Inc., paid tribute to the "planning and foresight" of the United States Bureau of Mines, Office of Synthetic Liquid Fuels.

This work, he said, is in preparation for the day when our natural pe-

troleum resources may be down to a critically low point. It is his belief that the problem of building a synthetic liquid fuels industry in anticipation of future depletion of oil reserves is a job requiring the fullest coöperation between government and private enterprise. In speaking of the gas synthesis plant, which Koppers has designed and built, Somervell said:

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"WHAT DO YOU MEAN, GET OFF THE PHONE ROVER—HAVE YOU TAUGHT THAT DOG TO TALK OVER THE TELEPHONE?"

There is little in the Louisiana gasification operation that is not known to gas plant or boiler-house designers, with the exception of the system of converting the coal to gas by the special technique involved. The entire coal-handling system is based on known practice and involves standard equipment. By this I mean the mechanisms involved in unloading coal cars, crushing and conveying the coal to the storage bin within the building, pulverizing the coal, air-conveying the pulverized coal to the bag and cyclone-type separators, and the storing of the prepared coal all are incorporated in pieces of equipment that can be secured from several good firms in the United States. However, the gasifier proper, as well

as the coal injector that takes the coal from the weigh tank and mixes it with oxygen in accurate weight ratio, were manufactured by Koppers Company from its special designs. The cooling and cleaning of the synthesis gas involve standard processes, except the final purification step which utilizes the Koppers hot purification process to remove any remaining organic sulfur compounds.

ACCORDING to T. M. Osborne, manager of the chemical department of Koppers' engineering and construction division, the design and construction of this plant are without precedent in American industry. Solution of many of the problems, he states, will be discovered

## WHAT OTHERS THINK

only through practical operation.

The plant will, when completed, convert 28 tons of run-of-mine coal to approximately 80 barrels of synthetic liquid fuels per day using a synthesis gas, principally carbon monoxide and hydrogen, produced in a Koppers-type coal gasifier and a modified Fischer-Tropsch synthesis process. The modifications employed well adapt this process to the production of either a good grade of motor gasoline or an excellent Diesel fuel.

OSBORNE describes the gas synthesis plant as consisting of four distinct phases: (1) coal gasification; (2) gas purification; (3) hydrocarbon synthesis; and (4) refining of products. He amplifies his account of the undertaking with the following information:

Coal gasification is the only phase of the process concerning which there are no reliable American operating data available. For this reason, priority has been given to this phase of the construction, and test runs will be made in this unit while the purification, synthesis, and refining phases are being completed.

In the gasification section, pulverized coal injectors and a gasifier developed by Koppers permit the use of any coal from anthracite to lignite. The run-of-mine coal is first crushed, then dried and pulverized and conveyed pneumatically to a storage bin. From the storage bin it is fed to the coal injectors where it is picked up by an oxygen stream. The mixture is then introduced into the gasifier through central nozzles at each end. Highly superheated steam is introduced separately in an annulus surrounding the coal nozzles. Oxygen for the process is supplied by a Linde-Frankl plant which was brought from Germany, reconditioned, and erected on the plant site.

The reaction in the gasifier among the steam, oxygen, and coal produces a raw synthesis gas containing approximately equal amounts of carbon monoxide, and hydrogen, together with small amounts of carbon dioxide, hydrogen sulfide, and nitrogen. The synthesis gas is then

washed and cooled and passed through electrical precipitators to remove the final traces of dust.

After dust removal, the gas goes either to a gas holder or to the synthesis gas compressors. As the gas must be compressed for synthesis, it is more economical to compress it before the removal of sulfur compounds to permit purification under pressure. The bulk of hydrogen sulfide present is removed by scrubbing under pressure with ethanalamine solution. The scrubbed gas is then passed through iron oxide towers to remove the remainder of the hydrogen sulfide and through towers containing activated charcoal to remove any thiophenes, hydrocarbons, carbon sulfide, or gum formers that may be present. The final purification step, which utilizes the Koppers "hot purification process," consists of passing the gas through towers containing hot alkalized iron oxide.

AFTER thorough purification, Osborne states, the gas is ready for the synthesis reaction. He said:

This reaction is carried out in either a unit known as an "internally cooled converter" and/or in a slurry type reactor known as the "Lamo process." The internally cooled converter differs from the Lamo converter in that it provides for externally circulated coolant oil through a fixed bed of granular catalyst; whereas in the Lamo reactor a finely divided catalyst is kept suspended in the coolant oil by violent internal circulation.

In the converter, Osborne observes, under design conditions of temperature and pressure and in the presence of a catalyst, the hydrogen and carbon monoxide in the synthesis gas combine to form crude gasoline, Diesel oil, waxes, alcohols, and also hydrocarbon gases, with a residual carbon dioxide and water. The gasoline, Diesel oil, some vaporized wax and coolant oil are condensed out of the gas stream, together with a water solution of alcohol. The alcohol water solution is separated by gravity prior to oil distillation. The uncondensed gas,



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together with fresh feed gas, and coolant oil from the distillation section are recycled to the converter. Some of the coolant oil is bled from the converter for distillation to remove the high-melting-point waxes which, if allowed to accumulate, would foul the catalyst and decrease the efficiency of the process. The heat of reaction produced is recovered by the generation of steam in a waste heat boiler.

The coolant oil bled off plus oils condensed from the gases leaving the converter are sent to the distillation units for final refining. The oils are first separated into gasoline, Diesel oil, coolant oil, and wax. The gasoline fraction is treated and blended to produce a stable, sulfur-free gasoline. The Diesel oil is also treated to improve its stability and ignition qualities. The final products are then either stored in tanks or shipped to various users.

All four phases of the gas synthesis demonstration plant have been thoroughly instrumented. Operation and control are as nearly automatic as possible in order to maintain maximum capacity, ef-

iciency, and safety. Instruments such as pressure controllers, temperature recorders, gas analyzers, gravimeters, and flow controllers, together with signal lights and warning horns, enable the operators to observe and control the operation of the process. The various systems which make up the gasification plant and the equipment in them are so interlocked that a failure of any kind will shut down that system or, in some cases, the entire plant. A master push button is also provided which will, in an automatic manner, safely shut down the gasification plant in an extreme emergency. Many problems were met and overcome in the development and installation of the highly complex instrumentation. However, the comprehensive information on plant operation which these instruments will gather thoroughly justifies their presence.

The gas synthesis demonstration plant is the first of its kind in the United States to make synthesis gas via the oxygen-pulverized coal gasification route. Operation of the plant has been hailed as a vital step forward towards assuring America of a continuous supply of liquid fuels.

**"NONE** of us can say where that trend toward state Socialism, with its threat to our national solvency and integrity, can be stopped. We can no longer afford the luxury of profligate government. We can no longer continue to indulge in bigger and better government services at higher cost. Our national budget is roughly eight times that of twenty years ago, and pressure is constant and tremendous to raise it still higher. Already almost one-third of our national income goes into government. History, again, has demonstrated that no nation can long spend any such sum without so deadening human incentives that bankruptcy and nation-wide poverty will follow.

*"The lesson we may draw from this, it seems to me, is that the future of the life insurance business, and of the nation itself, is inseparably linked with the future of American liberties and individual freedom. As members of our profession, as citizens of this wonderful nation, and as human beings concerned with our own existence and well-being, it is our duty to ourselves and to our fellow men, and our obligation to future generations, to make sure that this generation is not the one to allow the ideals of liberty to die in America."*

—ASA V. CALL,  
President, Pacific Mutual Life  
Insurance Company.



# The March of Events



## In General

### EEI Convention

THE seventeenth annual convention of the Edison Electric Institute, which opened in Atlantic City on May 31st, featured a wide range of topics important to the future of the electric industry. More than 2,500 registered attendants heard major addresses by twenty-four recognized leaders in the business world.

At the first general session, Ernest R. Acker made his address as the retiring president of EEI. He stressed the claim that during the last three years customers of private utility companies are better off than those dependent on governmental power sources. He reported that in most areas normal reserve margins will be restored by the end of this year, rather than at the end of 1951, as contemplated under the industry's \$9 billion expansion program when it went into effect three years ago.

In even more emphatic vein James H. McGraw, Jr., president and chairman of McGraw-Hill Publishing Company, warned that "industry can only lose once" in the battle against Socialism.

Mr. McGraw said the Federal administration, "through its economic and fiscal policies," is attempting to "socialize American industry in general and the electrical industry in particular. A two-pronged attack has been launched against free economy," he declared.

James H. Jewell, manager of apparatus sales for Westinghouse Electric Corporation, said capacities and reserves in most parts of the country are rapidly approaching normal, and that all indications are that the trend will continue throughout 1949.

SEC Chairman Edmond M. Hanrahan reported that the integration and simplification program begun under the Public Utility Holding Company Act has significantly strengthened the financial structure of the nation's utility companies.

On the second day of the convention Charles E. Wilson, president of General Electric Company, predicted that business activity will return to 1948 levels by the end of 1951. He said that the intervening decline in production is not expected to be more than 15 per cent from the high level of the last quarter in 1948. Mr. Wilson also ripped into threatened socialization, stating:

At the very least, we can be sure that nationalization of all American industry will be much easier of accomplishment once the electric power business has been taken over by the government—so this strikes me as a good place to stand and fight.

Philip Sporn, president of American Gas & Electric Company, reviewed the private power companies' record expansion program and cited factors that contributed to lower costs in the program: less plant and less man power per kilowatt hour, and the "integrated effect of numerous techniques and devices designed to reduce capital and operating expenses. These economies and innovations resulted in an expenditure of \$2,775,000,000 during the past decade, whereas without them plant expansion necessary to meet demands would have cost the industry \$10,400,000,000," he said.

At a meeting of the 42-man board of

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directors of the institute, Elmer L. Lindseth, president of the Cleveland Electric Illuminating Company, was elected president of the EEI for one year. Louis V. Sutton, president of Carolina Power & Light Company, was elected vice president, and H. S. Bennion was reelected vice president and managing director. K. B. Crumb of the American Gas & Electric Service Corporation, New York, was elected treasurer, and Mae B. Woods was reelected secretary. In addition, the board elected nine new members to serve three years.

Harold H. Young, partner, Eastman, Dillon & Co., outlined a solution to the continuing problem of financing the electric utility industry's construction program.

On the third day of the meeting, the prize awards committee report was presented by Chairman H. M. Sawyer, vice

president, American Gas & Electric Service Corporation. Tom P. Walker, vice president, Irving Trust Company, followed with a discussion of the methods of building relations between the industry and investors through financial agencies.

Morris Sayre, president of Corn Products Refining Company and chairman of the board of the National Association of Manufacturers, discussed public relations, while Kinsey M. Robinson, president of the Washington Water Power Company, spoke on practical phases of employee morale and the importance of utilizing employee effort to preserve private enterprise in the electric industry.

The convention also featured special meetings devoted to rates, engineering, finance and accounting, and commercial activities.

### Alabama

#### Utility Tax Bill Killed

**A** BILL proposing 10 per cent gross receipts and privilege taxes on electric utilities, telephone and telegraph

companies, and radio stations, to raise an estimated \$9,000,000 in additional annual revenue, was killed last month by the ways and means committee of the state house of representatives.

### Arizona

#### Rules Co-ops Taxable

**T**HE state tax commission recently ruled that electric coöperatives financed by the Rural Electrification Administration are taxable on the same basis as privately owned utilities. Assessors of the state were directed to list them on their assessment rolls accordingly.

The action was taken by the commis-

sion upon advice of Fred O. Wilson attorney general, that co-ops have no tax-exempt status merely because they were developed with Federal loans made through the REA.

Warren Peterson, commission chairman, said it was the state tax agency's viewpoint that coöperatives are in direct competition with other utilities and there is no reason why they should not be taxed.

### Delaware

#### Commission Bill Passed

**D**ELAWARE will have a new 3-member state public service commission to regulate utilities on a statewide basis, under terms of a bill given final passage

by the state legislature on June 5th and sent to Governor Carvel for signature.

Delaware at present has no state utility regulatory agency.

## THE MARCH OF EVENTS

### Florida

#### Senate Passes Utility Bill

THE state senate recently passed and sent to the house the bill to put privately owned gas and electric companies under the supervision of the state railroad and public utilities commission. Before passage, the senate rejected by voice vote an effort by Senator Raymond Sheldon of Tampa to exempt his city from terms of the bill. Tampa has its own utility board.

The house had earlier indefinitely postponed action on a companion bill.

Senator Henry S. Baynard of St. Petersburg, who two years ago secured legislative approval setting up the Pinellas County Utility Board, steered the bill to passage. He spoke about the tremendous money-saving benefits of utility regulation.

"I keep hearing that this is a utility company bill," he said, "but I say it is not. I admit the utilities are not fighting this as they fought a similar bill in 1947." He explained that utility companies switched their opposition after the state supreme court recently upheld the validity of the Pinellas County Utility Board. "The companies would rather have state regulation than control from local boards throughout the state," he said.

Senator Baynard charged that "REA lobbyists are fighting the passage of this bill, aided by municipalities," and he warned the legislators not to be "swayed by their lobbying." He said REA co-operatives and municipals are exempt.

### Louisiana

#### Rules against Commission

DISTRICT Judge Charles A. Holcombe last month ruled against the state public service commission in its attempt to take over jurisdiction of the liquefied petroleum gas industry in the state.

The judge upheld contentions of the liquefied petroleum gas commission, a separate body set up in 1942, that it was constitutionally established and that the state legislature had a right to give it supervisory authority over bottled fuels.

Judge Holcombe wrote that when the state Constitution was written in 1921 establishing the jurisdiction of the public service commission, liquefied petroleum gas was "never used, if indeed it existed, either for private or industrial purposes."

The state commission had contended that when the Constitution gave it jurisdiction over natural gas, liquefied gas was included. The creation of the liquefied petroleum gas commission, it contended, violated the Constitution.

### Massachusetts

#### Governor's Proposal Criticized

GOVERNOR Paul A. Dever's proposal for the establishment of a new state commission to resist price increases in Massachusetts would give the executive branch of the state government unprecedented regulatory and investigative

powers over public utilities and other businesses, it was asserted in a statement released last month by State Senate Republican Floor Leader Harris S. Richardson of Winchester.

"The Dever administration," Senator Richardson declared, "has placed in the legislative hopper without fanfare a bill

## PUBLIC UTILITIES FORTNIGHTLY

disguised under the soothing-syrup title of 'an act establishing the commission on the necessities of life.' . . . If this baby OPA is passed, every businessman from the corner grocer to public service executive can be strait jacketed in a goldfish bowl, and his worse mistake punishable by 'fines and imprisonments.'"

The bill attacked by Senator Richardson was recommended by Governor Dever in his inaugural address. It would expand the present state Commission on the Necessaries of Life, setting up a new 3-man commission, represented by counsel and empowered to employ experts to resist increases in the cost of services and commodities. It would not have price-fixing powers, according to administration spokesmen.

### Utility Probe Sought

**I**F Massachusetts utilities are relieved of state and local taxes, "they can undersell every municipal plant in the country and, in addition, can undersell the TVA," Counsel Thomas Joyce for the Massachusetts Gas & Electric Association, recently told the house ways and means committee. It was giving hearing on a proposal for a recess probe by the legislature into the rate structure of gas

and electric companies in Massachusetts.

Joyce said the companies in his organization would welcome the investigation, as did spokesmen for other utility interests, but Joyce explained, there is "something that can be done instantly" to lower gas and electric rates and that would be to "remove from the backs of private utilities" the state and local taxes on 20 per cent of their gross income.

### Natural Gas Supply Assured

**G**OVERNOR Dever announced early this month that he had received "convincing assurances" that natural gas would be piped into the state by Christmas, 1951.

He said there was every evidence that the applications of the Tennessee Gas Transmission Company for a line into Buffalo, New York, and a proposed extension into Massachusetts would be approved soon. Natural gas has been made available for most of the United States, he said, but no pipe lines have crossed the Hudson river.

The governor declared that his interest was to assure for Massachusetts "the unquestioned benefits of natural gas. I have no interest in the conflict between competing companies."

## Michigan

### Modified Labor Law Signed

**G**OVERNOR Williams on June 1st signed a modification of the Bonine-Tripp labor relations law, describing it as "a slight improvement in a bad law." The governor said the amendments passed by the recent legislature "do not change the basic character of the Bonine-Tripp Act, which is still unsatisfactory

labor legislation. The amendments, however, represent some comparatively minor improvements."

The new statute extends the present 5-day waiting period in labor disputes generally, requiring ten days' notice of a dispute to the state labor mediation board and forbids a strike to be called for ten days thereafter.

## Missouri

### House Rejects Utility Bill

**T**HE Boyd Bill requiring that rate-making valuations of public utility

companies operating in Missouri be based on prudent investment in the property, less accrued depreciation, was killed

## THE MARCH OF EVENTS

last month by the house committee on judiciary.

The committee report recommending that the bill not be passed by the house was adopted by a vote of 15 to 2. The committee chairman, Representative James P. Boyd of Paris, was sponsor of the valuation bill and two companion

measures. One of the companion bills was reported favorably. It would require a public utility, in any rate or valuation proceeding before the state public service commission, to prove the actual cost or value to it of services, materials, or equipment furnished by a holding company or an affiliated company.

## Nebraska

### District Loses Court Appeal

THE Platte Valley Public Power and Irrigation District lost in the state supreme court recently, its appeal from the action of the trial judge in Lincoln county in ordering a new trial of a seepage damage action brought after the jury had found that plaintiff was not entitled to any recovery.

The district based its appeal on the claim that the evidence failed to show that

the seepage from its dam ever reached plaintiff's land, and that it should have had a directed verdict in its favor.

The supreme court, however, held that the trial judge was justified in ordering a retrial because one of the jurors told the other members of the panel that he was familiar with the land and that it was as much of a frog pond before the seepage occurred as it now is. This was prejudicial error requiring a new trial.

## New Jersey

### Utility Strike Law Held Invalid

THE state supreme court found faults recently in the compulsory arbitration procedure of New Jersey's utility antistrike law and threw out the entire act as unconstitutional. The court ruled the act lacked standards to govern arbitrators.

The unanimous decision of the 7-member

court came as a disappointment to Governor Alfred E. Driscoll, who had no comment, but his associates indicated he was hopeful a reargument could be arranged.

The governor was instrumental early in 1947, as a general telephone workers' strike impended, in having the penalties for utility strikes strengthened.

## Wisconsin

### Governor Seeks New Law

GOVERNOR Rennebohm will seek a new law on appointment to the state public service commission, it was announced recently. The purpose will be to avoid possible complications that would leave the commission without power to act.

Attorney General Thomas E. Fairchild last month declared that the gover-

nor cannot make an interim appointment to the public service commission. There is a special law on that body, so that if a vacancy occurs, a replacement cannot act until approved by the senate, Fairchild said.

Rennebohm asked an opinion as he faced the possibility of having only one commissioner on duty. The law provides that two must attend meetings to make valid rulings.



# Progress of Regulation

## Rate Decision Must Be Supported by Commission Findings on Basic Questions

THE Vermont Supreme Court reversed a telephone rate order of the state commission (75 PUR NS 45) because of the lack of sufficient findings. Although under Supreme Court decisions a commission is not bound to the use of any single formula or combination of formulae, said the court, it is not relieved from the duty to disclose the method employed to reach the prescribed rates so that the validity of its conclusions may be tested by a court.

A reasonable and usual method of rate making, continued the court, is to determine the kind and amount of a rate base. The commission then determines the rate of return which the utility is entitled to earn. It determines allowable expenses. Whether the method adopted in fixing rates follows the one suggested was said to be immaterial, but in order to reach a fair judgment of rates it is necessary that a proper rate base and allowable expenses be determined. Findings must be made as to these facts.

The commission had said that it would not speculate as to what the net return on average net investment would be, and that items of expense which determine net return are entirely without the jurisdiction of the commission and wholly within the control of management. The court noted that the commission has jurisdiction over items of expense and authority to disallow any which are unreasonable or unwarranted.

Specific findings should have been

made as to the cost of services rendered by the American Telephone and Telegraph Company, as to a "freezing payment" in connection with a pension fund, and as to claims of excessive salaries and expenditures for advertising. These expenses, said the court, should be scrutinized with care by the commission and should not be disallowed or reduced unless it clearly appears that they are excessive or unwarranted or incurred in bad faith.

Although evidence as to past rates of return might be admissible, it should not have weight in a determination of the reasonable amount of rate increase unless it fairly appears that rates patently low on their face were reasonable in the sense that the company prospered under them, was able to pay reasonable dividends on its common stock, and attract new, needed capital at fair cost.

Past experience, moreover, would have no weight unless it could properly be tied in with present requirements. The mere fact that a company had not requested a rate increase for a long time would have no bearing on the question of the reasonable amount of increase.

Exchange and toll telephone services, said the court, are not separate and distinct undertakings. Each supplements and adds to the usefulness and value of the other. The commission should not permit exchange rates to be unduly high in comparison with rates for intrastate toll service. A company, al-



## PROGRESS OF REGULATION

though entitled to a fair return on toll property, is not entitled to an unjust proportion of return from services performed by other property. But an exchange subscriber may be charged a reasonable "ready-to-serve" charge for toll service though he may never use it.

Investor and consumer interests must be balanced. Return to the equity owner should be commensurate with returns on investments in other enterprises having corresponding risks. A fair return to investors, however, is not necessarily fair to consumers. Rates follow service and a poor standard of service may afford a basis for a denial of a request for higher rates.

Property under construction, said the court, may be included in the rate base if it will be available for use during the

period in which the rates will be in effect, but such property should not be included if inclusion would result in a double return to the company because interest upon unfinished construction has been capitalized. Nor should it be included if a double return is to be realized because of additional revenue resulting from such property.

The rule as to property held for future use, said the court, is whether the time for using the property in question is so near that it may properly be held to have the quality of working capital. Property held for future use is not included in the rate base as a matter of law. This is a question of fact to be determined by the commission. *New England Teleph. & Teleg. Co. v. Public Service Commission*.



### Telephone Company Justified in Denying Service Because of Illegal Betting

A TELEPHONE company, in the opinion of the Massachusetts Department of Public Utilities, was justified in discontinuing service at the request of police. It was also justified in refusing to restore service.

There was evidence that the subscriber's premises were raided and that the use of the premises for illegal purposes was shown by an attempt over the phone to place bets on horse races, the finding of memoranda of horse betting, and the finding of so-called "horse slips" concealed in the clothing of the subscriber.

The subscriber had been arrested and convicted previously for registering bets and, in the opinion of the police, the

telephone in question had been used for illegal purposes.

The department said that the chief of police was a public officer over whom it had no jurisdiction. His official acts were entitled to the greatest weight. If a person were aggrieved by his official acts, relief must be sought in court rather than from the department.

Unless and until a court decided that a police request for discontinuance of service was not warranted, said the department, it was bound to consider that the request was a necessary incident in the prevention of crime and the maintenance of law and order. *McCabe v. New England Teleph. & Teleg. Co.* (DPU 8616).



### Limitations on Retroactive Air Mail Rates

THE United States Supreme Court, in a divided opinion, affirmed a United States Court of Appeals decision affirming a Civil Aeronautics Board mail rate order. The board had refused an air carrier's request that it make its

rate order retroactive for a period prior to initiation of the rate proceeding. This, the carrier contended, was error.

The statute involved, § 406(a) of the Civil Aeronautics Act of 1938 as amended, in authorizing the board "to

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fix and determine compensation for the transportation of mail by aircraft," allows the board "to make such rates effective from such date as it shall determine to be proper . . ."

The majority of the court indicated that unless a congressional purpose to make a radical break with tradition was apparent, it would be most reluctant to give the "make effective" clause the broad meaning urged by the carrier. Utility rates, the court pointed out, are usually prospective but are sometimes retroactive to the date of the commencement of the action, but never to an earlier date.

The language of the act did not indicate to the court that Congress intended that rates could be made retroactive to any date at all which the board felt was

proper. So unprecedented a departure from the convention of rate making should not, the court observed, rest on mere inference.

Justice Jackson, in a dissenting opinion, pointed out that air mail rates, which are part compensation and part subsidy, are different from other utility rates. Congress' plan to subsidize pioneering air lines brought about the air mail payments as a medium whereby the government could underwrite the revenues of the carriers in their early stages of development. He saw no justification for holding that the expression "to make such rates effective from such date as it shall determine to be proper" means anything less than just what it says. *Transcontinental & Western Air, Inc. v. Civil Aeronautics Board*.



### Order Directing Transportation for Rail Employees Invalid

THE Illinois Supreme Court affirmed a lower court order declaring invalid a state commission order requiring a railroad to furnish employees with transportation to a yard terminal. The action was brought by a railroad brotherhood under a state statute requiring railroads to transport employees to outlying terminals where such transportation was necessary.

The court pointed out that the evidence on which the commission based its order was not sufficient to establish that the yard was an "outlying terminal" within the meaning of the statute or that such transportation was necessary to conduct railroad operations for the convenience of the general public. *Wabash R. Co. v. Order of Railway Conductors of America*, 84 NE2d 406.



### Stockholders Financing of Activities of Protective Committee Pending Holding Company Reorganization Disapproved

A PROTECTIVE committee for common stockholders was denied authority to solicit contributions to provide funds for the payment of its expenses and fees pending the allowance of fees and expenses by the commission in a holding company reorganization proceeding. Such solicitation was held to be contrary to the public interest and the interest of investors.

The commission believed that to permit interim financing would be more likely to encourage the formation of, and

activities by, committees seeking freedom to solicit funds in situations where the opportunity for constructive service was not present, than to supply a needed incentive where such opportunity did exist.

The commission said that it was mindful that there is an area for beneficial class representation by such committees which should be preserved. On the other hand, committee activities have been the subject of abuses in the past and should be regulated in the interests of protecting security holders represented and prevent-

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ing undue burdening of the reorganization process.

The commission has afforded an incentive to beneficial committee participation by enforcing management's obligation to provide stockholders' lists, by authorizing active participation in holding company reorganization proceedings, and by granting allowances for fees and expenses to committees who have contributed to the reorganization. It did not believe that the incentive to beneficial committee participation had been reduced by requiring that compensation await the determination of the extent of the contribution to the reorganization.

The commission's usual procedure is to pass upon requests for allowances when the services of all representatives of security holders have been substantially completed and could be evaluated in the light of the results achieved. The commission held this procedure was justified in the light of the assurance of adequate compensation for constructive services that its jurisdiction to award compensation out of the reorganization

estate afforded. Furthermore, it believed that this requirement tended to limit security holder representatives to activities constructive in nature.

The committee contended that the commission had no power to pass on the proposed solicitation, on the ground that it was not a solicitation of "any authorization regarding any security of a registered holding company." The commission held the solicitation clearly constituted a solicitation of an authorization regarding a security within the meaning of § 12(e) of the Holding Company Act, since its admitted purpose was to secure from common stockholders an advance of funds to be used to carry out the committee's stated objectives to protect the rights attached to such stock. This was necessarily a solicitation of authority to use the funds in a representative capacity. Advancement of money to the committee was deemed to amount to a more effective grant of authority to act with respect to the stock than any revocable formal authorization. *Re Halsted et al.* (File No. 68-105, Release No. 8965).



### State Authority over Telegraph Operation Superseded

**A**N action brought by the attorney general of Ohio on behalf of the state commission against a telegraph company proposing to discontinue local offices in several communities was dismissed by the court of common pleas.

The telegraph company proposed to move its equipment and personnel to space set aside for them in near-by telephone offices and to render the same service as it had rendered in the past. The company's contention was that the proposal constituted an abandonment of service which under state law could not be effected without its approval. As to this contention the company argued that Congress by the Federal Communications Act preempted the field and removed such consideration to the exclusive jurisdiction of the Federal Communications Commission.

The National Association of Railroad

and Utilities Commissioners, appearing as "a friend of the court," stated the question in these words:

The primary issue which is before this court is whether the authority and jurisdiction of the public utilities commission of the state of Ohio to regulate the discontinuance, reduction, impairment, or abandonment of intrastate telegraphic service or facilities, has been superseded by Federal regulation.

The court passed on the question of abandonment first. It held that the state statute requiring commission approval "before a utility may abandon its service to the public" was not applicable. The proposal contemplated a change in the means to be used for rendering service without affecting the service itself.

The question of jurisdiction was like-

## PUBLIC UTILITIES FORTNIGHTLY

wise resolved in favor of the utility. The court pointed out that in the communities involved both intrastate and interstate messages were received and sent by means of the same wires and other facilities. With the two services so inextricably intertwined, the court continued, and with the extent and manner in which one is performed necessarily affecting the performance of the other, it

follows that the efficient performance of interstate service is dependent upon the efficient performance of intrastate service. Therefore, the court concluded, the authority of the Federal Communications Commission supersedes the authority of the state commission, so that the utility was under no obligation to obtain state approval of its action. *Ohio v. Western Union Teleg. Co.* (No. 174412).



### Water-heating Rate Increased As Costs Rise

A POWER company was allowed an increase in its rates for water-heating service by the Wisconsin commission where, because of a substantial increase in production costs affecting this type of service, the present rate was discriminatory as against users of other kinds of service.

The commission declared that losses or inadequate earnings of one utility depart-

ment may not be made good by increasing rates of another department.

With the increase allowed in the water-heating rate, the commission said, the company's rate of return would be 5.96 per cent on its net electric investment, which was considered adequate. Consequently no further rate increase was allowed. *Re Wisconsin Power & Light Co.* (2-U-2933).



### Protests of Citizens Not Decisive

THE effect which citizens' protests should have on a commission investigation of proposed increased intra-urban bus fares was considered by the Massachusetts Department of Public Utilities.

Thousands of citizens of the area had filed protests to a new rate structure which included zone charges.

The department said that the protests were important "as negating any acquiescence by the customers of the utility to the increased charges." The protests,

however, cannot be considered decisive since the commission has the clear duty of deciding such matters on all the evidence so that the rates ultimately decided upon are just and reasonable not only to the public but also to the carrier.

In the light of sharply rising labor and fuel costs and a substantial slack-off in gross passenger revenues, the department noted that prompt and adequate rate relief was required if adequate service were to be continued. *Re Worcester Street R. Co.* (DPU 8308).



### Tax Burden on Additional Revenues Noted

THE North Carolina commission, in awarding a telephone utility a rate increase which would provide it with about \$2,500,000 additional revenue, commented that in fairness to both subscribers and the company it should be ob-

served that approximately 45 per cent of this amount would be paid in Federal and state taxes. This is in addition to the 15 per cent Federal excise tax which appears on subscribers' statements. The new rates authorized would yield a re-

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turn of about 6.08 per cent on the company's net intrastate investment.

A reduction in the utility's license contract payments to its parent company from  $1\frac{1}{2}$  to 1 per cent of gross revenues was approved by the commission with the comment that a still further reduction should be forthcoming in view of the continuous increase in gross revenues due to new business and higher rates.

The commission served notice on the

company that no further increase in intrastate toll rates would be allowed until the company had exhausted every remedy to obtain more interstate toll revenue by a proceeding before the Federal Communications Commission. No reason exists, the commission concluded, why a 300-mile intrastate message should cost any more than a 300-mile interstate message. *Re Southern Bell Teleph. & Teleg. Co. (Docket No. 4574).*



### No Delegation of Authority When Railroad Obtains Motor Certificate

A RAILROAD was authorized by the Colorado commission to render motor carrier service in accordance with the terms of a certificate awarded at an earlier date to a certificated carrier which had rendered the service on a contractual basis for the railroad.

A competing carrier which objected to the award contended that the commission's action constituted an unlawful delegation of its authority over motor carriers to the railroad.

The commission dismissed this objection and pointed out that the certificate awarded was not unlimited but, on the contrary, was in accordance with the terms of the earlier award.

Furthermore, the state public utilities commission would have complete jurisdiction over the operation and could, by its orders, completely regulate the railroad's motor carrier service. *Re Union P. R. Co. (Application No. 9854, Decision No. 32388).*



### Motor Carrier Certificate Granted to One of Rival Applicants

THE Washington commission granted a motor carrier certificate to only one of two rival applicants where traffic would not sustain more than one operation. The service of one of the applicants was preponderantly desired by the people affected. That carrier offered a coördinated, highly desirable service and the other applicant did not indicate that it could perform adequate service or that its service was desired by the public.

The fact that the favored applicant had been furnishing such service without proper authority did not preclude authorization, the commission held, where the unauthorized operation was in territory not served by any other carrier and had been instituted pursuant to public demand. *Re Northwest Greyhound Lines, Inc. et al. (D-1739, D-1772, Order MVC No. 273, Hearing Nos. 3951, 3957 [Consolidated]).*



### Commission Authority over Bridge Crossing Upheld

THE Pennsylvania Superior Court ruled that the state commission had jurisdiction to allocate the cost of con-

struction of a highway bridge among the state highway department, the city and county concerned, and the railroads



## PUBLIC UTILITIES FORTNIGHTLY

whose tracks were to be crossed.

Objectors, principally the city and county, challenged the commission's jurisdiction. A 1945 law providing that all bridges on state highways in cities of the third class be taken over, repaired, and maintained by the department of highways at the sole expense of the commonwealth was the principal basis for their position.

The court did not agree and ruled that the highway statute of 1945 did not affect the commission's jurisdiction to regulate the construction and abolition of utility

highway crossings and to allocate the cost. The court reasoned the highway law would be unconstitutional as containing more than one subject not clearly expressed in its title if it were to be given the effect urged by the objectors. Furthermore, if it modified the statute conferring authority on the commission over crossings, the act would be contrary to constitutional provisions prohibiting the amendment of statutes by reference only. *City of Wilkes-Barre v. Pennsylvania Pub. Utility Commission*, 63 A2d 452.



### Other Important Rulings

THE New York commission denied authority to issue first mortgage bonds as collateral for a note which provided for the sale of bonds on default in paying the loan, without the authority of the commission, since it does not favor

any proposal resulting in the issuance of bonds under circumstances which would place in the hands of the pledgee control over the sale price of the bonds. *Re Western New York Water Co.* (Case No. 14,158).

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*Public Utilities Reports (New Series)* are published in five bound volumes annually, with an Annual Digest. These Reports contain the cases preprinted in the issues of PUBLIC UTILITIES FORTNIGHTLY, as well as additional cases and digests of cases. The volumes are \$7.50 each; the Annual Digest \$6.00. *Public Utilities Reports* also will subsequently contain in full or abstract form cases referred to in the foregoing pages of "Progress of Regulation."



NEW YORK PUBLIC SERVICE COMMISSION

# Re Long Island Lighting Company

Case 14142  
May 4, 1949

**P**ETITION by electric company to determine whether certain transmission and distribution facilities should be constructed underground or overhead; proceeding closed.

*Construction and equipment, § 5 — Underground construction — Public safety.*

A proceeding relating to the question whether electric transmission and distribution facilities within a municipality should be constructed underground or overhead should be closed, as requiring no affirmative action by the Commission, when on the evidence the Commission cannot find that public safety requires an order.

*Construction and equipment, § 2 — Powers of Commission — Underground construction.*

Statement that the New York Commission has jurisdiction under § 65 of the Transportation Law, in the interest of public safety, to require a company subject to the provisions of that law to place its transmission or distribution lines underground, p. 65.

*Construction and equipment, § 5 — Underground lines — Public safety and cost.*

Discussion of cost and public safety as considerations in requiring electric lines to be placed underground, p. 66.

*Municipalities, §10 — Condition of municipal consents — Underground lines.*

Discussion of municipal power to impose, as a condition and as a prerequisite to the granting of an application by an electric company, that lines be placed underground, p. 66.

(ARKWRIGHT, Commissioner, concurs in separate opinion.)

**APPEARANCES:** Sherman C. Ward, Acting Counsel (by Raymond J. McVeigh, Assistant Counsel), for the Public Service Commission; Charles G. Blakeslee, General Counsel, and David K. Kadane, Assistant General Counsel, Mineola, for the Long Island Lighting Company; Theodore V. Summers, Jamaica, Attorney, for the Incorporated Village of Old Brookville.

**By The COMMISSION:** The Commission approves the findings of fact

made in the memorandum of Mr. Berman.

It is unquestioned that this Commission has jurisdiction under § 65 of the Transportation Law to require, in the interest of public safety, a company subject to the provisions thereof, to place its transmission or distribution lines underground. This may be done either in a proceeding brought by a municipal or other interested party or on the Commission's own motion. On the evidence adduced before

## NEW YORK PUBLIC SERVICE COMMISSION

us we cannot find that public safety requires such order in this proceeding.

It can be easily understood that objections are frequently made to power installations for purely aesthetic reasons. That is, of course, an element which this Commission may not consider.

The company in its presentation argued the question of the excessive cost involved in placing its transmission line underground. The consideration of cost is not material if public safety requires a different type of installation. If, however, it is necessary to use a more expensive type of installation than is required in the interest of public safety, it is obvious that some customers of the company must pay for it, and it should be said in all justice in equity that that extra cost should be borne by those who have caused it. Where all distribution lines are required to be placed underground in one community it is a very simple matter to assess that additional cost in determining the rates in that community. In the case of transmission lines such assessment is more difficult since those lines may serve not only the community involved but many additional communities.

Since no affirmative action by this Commission is indicated, the proceeding may be closed.

ARKWRIGHT, Commissioner, concurring in result: I concur in the result that the above proceeding should be closed.

There has been considerable litigation between the petitioner, Long Island Lighting Company, and the village of Old Brookville. The courts have held in favor of the village that if it consents to the construction of electric lines within the village, the board of trustees has the power to impose as a condition and as a prerequisite to the granting of the application that the lines be placed underground. It has also held that the board of trustees under its police power can prohibit the erection of hazards especially in the light of the fact that an alternate and safe method of construction is available. (Long Island Lighting Co. v. Shields [1947] 190 Misc 797, 76 NYS2d 81, affirmed [1948] 274 App Div 803, 79 NYS2d 657, affirmed court of appeals [1948] 298 NY 696, 82 NE2d 589, Law Journal of April 15, 1949).

The village has issued no consent.

Since the village has failed to grant the petitioner the required authority, this Commission has no power to authorize the construction of the lines.

In view of the court's decisions and the absence of a village permit, the findings made here are hypothetical and unnecessary.

NEW HAMPSHIRE SUPREME COURT

New England Telephone & Telegraph  
Company

v.

State of New Hampshire et al.

No. 3798

— NH —, 64 A2d 9

February 1, 1949; rehearing denied February 16, 1949

**A**PP<sup>EAL</sup> by telephone company from Commission rate order;  
*reversed.*

*Valuation, § 2 — Constitutional requirements — Measures of value for rate making.*

1. The Federal Constitution does not require determination of fair value, or consideration of reproduction cost, or disregard of prudent investment for rate making, p. 72.

*Rates, § 650 — Necessary findings — Basis for conclusions.*

2. The Commission, although not bound to the use of any single formula in fixing rates, is not relieved from the duty to disclose the method employed to reach prescribed rates so that the validity of its conclusions may be tested upon judicial review, p. 72.

*Valuation, § 3 — Necessity of determining rate base.*

3. A definite finding of the base upon which a company is entitled to a return is required by state law, p. 72.

*Valuation, § 405 — Findings — Rate base determination — Unjustified expenditures.*

4. Exclusion of certain expenditures from the rate base because of a suspicion of wastefulness in construction and reconstruction, or unwarranted investments, calls for findings the accuracy of which may be reviewed, and the primary responsibility for making such findings rests with the Commission, p. 72.

*Appeal and review, § 62 — Grounds for reversal — Insufficiency of findings.*

5. The court, in reviewing a Commission rate order, is not required to search voluminous records for evidence which might be thought to support findings which are undisclosed, but primarily it has the duty of determining the validity, upon the evidence, of the Commission's findings of the evidentiary facts upon which the justice and reasonableness of the order appealed from may depend; and when essential findings have not been made, the court is unable to determine whether a rate order is or is not reasonable and lawful, and, in the absence of such findings, a case must be remanded for such findings, p. 72.

## NEW HAMPSHIRE SUPREME COURT

### *Valuation, § 409 — Evidence — Current costs.*

6. No error of law can be predicated upon the Commission's rejection of current cost figures, since they are entitled to such weight as the Commission sees fit to give them, p. 75.

### *Appeal and review, § 41 — Scope of review — Evidence as to rate of return.*

7. The question of fixing a rate of return to be applied to a rate base is peculiarly within the discretion of the Commission, and whether it should rely upon expert testimony presented by the state in preference to that offered by a company cannot be decided as a matter of law, p. 76.

### *Return, § 4 — Judgment of Commission.*

8. The proper rate of return to be applied to a rate base is a matter for the judgment of the Commission, based upon the evidence before it, p. 76.

### *Rates, § 120 — Reasonableness — Investor and consumer interests.*

9. The end result in a rate proceeding is to be reached by a balancing of the investor and the consumer interests, p. 76.

### *Return, § 22 — Reasonableness — Investor's requirements — Consumer interests.*

10. Balancing of the investor and the consumer interests in a rate proceeding requires from the investor point of view that there be enough revenue for the capital costs of the business, including service on the debt and dividends on stock, a return commensurate with returns on investments in other enterprises having corresponding risks and sufficient to assure confidence in the financial integrity of the enterprise, but a return fair to investors is not necessarily fair to consumers, p. 76.

### *Valuation, § 69 — Prudent investment — Improvidence.*

11. The measure of a prudent outlay may be determined by the Commission in fixing the base upon which the investor is entitled to a return if the evidence is found to disclose inefficiency or improvidence; and even though good faith of management is not seriously questioned, a finding of improvidence is not for that reason foreclosed and might on proper evidence be taken to warrant denial of return upon investment found to be imprudent, p. 76.

### *Rates, § 648 — Evidence — Comparisons.*

12. Evidence relating to telephone rates in effect or sought by a company in other jurisdictions may be received by the Commission without limiting the evidential effect to the question of fairness and reasonableness of basic monthly rates in the state inter se; while the jurisdiction of the Commission is confined to the intrastate rates, it is not required to fix them in a vacuum or to close its eyes to the company's conduct of affairs in neighboring states where comparable conditions are to be anticipated, although evidence relating to rates elsewhere has no conclusive probative force, p. 76.

### *Valuation, § 200 — Antiquated equipment.*

13. If accrued depreciation fails to take into account the obsolescence of antiquated equipment, its proper value for purposes of rate making may be determined, p. 76.

### *Valuation, § 69 — Excessive construction cost.*

14. If new construction should have been undertaken upon a smaller scale or was unjustifiably postponed to an unpropitious time, a return based upon present construction cost is not required, p. 76.

### *Expenses, § 85 — Purchases from affiliate.*

15. Purchases made by a telephone company from affiliates at higher than

## NEW ENGLAND TELEPH. & TELEG. CO. v. NEW HAMPSHIRE

normal or reasonable profit margins need not be accepted as a measure of allowable expense, p. 76.

### *Rates, § 120 — Reasonableness.*

16. Rates are required to be just and reasonable inter se, as well as in toto, and discrimination may be made the basis of complaint, p. 78.

### *Rates, § 648 — Evidence — Comparison of estimates — Credibility of witness.*

17. The action of the Commission in excluding from evidence a comparison between estimates made by a witness in proceedings relating to rates of another company and actual results of subsequent operations, as disclosed by the annual report of that company, was not erroneous where the offer was made on the question of the credibility and weight of the witness' testimony and excluded as remote, and the probability of injection of collateral issues was apparent, p. 78.

### *Appeal and review, § 52 — Scope of review — Property used or useful.*

18. The question whether telephone plant under construction and property held for future use should be included in the rate base is essentially one of fact for the Commission's determination where there is a question as to the effect upon return when plant is placed in service, p. 79.

### *Valuation, § 224 — Work under construction.*

19. Work under construction is properly excluded from the rate base, in order to prevent a double return, when interest upon unfinished construction is capitalized, p. 79.

### *Valuation, § 405 — Sufficiency of findings.*

20. A Commission suggestion that the magnitude of expenditure indicates wastefulness in construction and that an unprecedented program may exceed reasonable needs for expansion, together with a query whether additional business demands the large increases in capital investment, can hardly be accorded the status of essential findings supporting a rate order, p. 79.

### *Appeal and review, § 39 — Scope of review — Depreciation question.*

21. An argument that the Commission committed error in applying judgment to known data concerning depreciation presents no question of law, p. 81.

### *Expenses, § 70 — Rearrangements and changes — Telephone company.*

22. Whether particular maintenance charges classified by a telephone company as rearrangements and changes result in large part from new construction and do not represent recurring costs of operation is for the Commission to determine and may be considered in determining probable future operating expenses, p. 81.

### *Expenses, § 92 — Rate case expenditures — Amortization.*

23. Expenses of a rate case are chargeable to operating expenses, to be amortized over such period as the Commission may deem proper, p. 81.

### *Expenses, § 114 — Federal income tax.*

24. Reference to a year when operations showed a loss, so that there was in fact no tax upon income, furnishes no justification for omission of such expense for a year in which it is estimated that there will be a tax, p. 82.

Appeal by petition under the provisions of Rev Laws Chap 414, §§ 6 and 7, from an order of the Public Service Commission known as order

## NEW HAMPSHIRE SUPREME COURT

5365, fixing the rates to be charged by the appellant company for a period of two years, from August 1, 1948, to August 1, 1950. The order results from an investigation of rates instituted by the Commission on December 26, 1946, on suspension of a schedule of rates filed by the company on December 3, 1946, calculated to produce a revenue increase of \$1,068,000 for the calendar year 1947. On July 28, 1947, 29 NHPSC 163, 190, 71 PUR NS 243, the Commission granted a temporary increase of approximately 10 per cent effective August 1, 1947, which was calculated to yield an additional \$782,630.

On October 31, 1947, the company filed a new rate schedule estimated to produce \$1,680,000 of additional revenue. Following suspension of this tariff, it filed on December 8, 1947, a petition for the determination of just and reasonable rates, and sought to obtain allowance of emergency rates sufficient to produce \$1,680,000. The petition for determination of rates was consolidated for hearing with the investigation previously ordered. On December 31, 1947, the application to make emergency rates immediately effective was denied by the Commission. 29 NHPSC 356. The company thereupon appealed to this court. On February 12, 1948, the Commission was instructed to grant forthwith an emergency increase in rates sufficient to produce additional annual revenue of not less than \$770,000, such rates to remain in effect pending completion of the investigation then in progress and the promulgation of permanent rates. *New England Teleph. & Teleg. Co. v. State* (1948) 95 NH 58, 75 PUR NS 370, 57 A2d 267.

The interim rates thereupon prescribed became effective March 1, 1948, and were the rates in effect upon entry of the order of July 30, 1948, from which this appeal is taken. 30 NHPSC 55. The rates fixed by the latter order, now under consideration, were estimated to produce \$727,900 more than the March 1, 1948, interim rates, or \$1,525,000 more than the August 1, 1947, rates.

In support of its petition for determination of just and reasonable rates, the company sought allowance of rates calculated to yield the sum of \$1,754,000 annually, in addition to gross revenues produced by the rates of March 1, 1948. The rates thus proposed were designed to produce a return of 7 per cent on net investment.

While the Commission established a figure representing the company's net investment, and found that a return of 5.75 per cent thereon "would be . . . reasonable . . . if we were concerned solely with the viewpoint of the company and that of the investors in its securities," it considered that rate schedules produced by multiplying these factors "would result in gross inequalities to telephone subscribers, and . . . impede the future wholesome growth of telephone service in this state." Its further action respecting rates appears by the following excerpts from its report: "We decide this case, therefore, by allowing specific rates in accordance with the schedules hereto attached and made a part of this report. With proper economies in management, which we believe to be a fruitful field for company consideration and action, we find that these rates will provide a fair return without placing an unrea-



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reasonable burden on New Hampshire subscribers, and without running contra to the public welfare and the future development of telephone service in New Hampshire. We recognize that our approach to this problem is not the usual one . . . . We know, however, that as a practical matter it is the number or amount of dollars that a utility is permitted to earn that is important. Rate bases and rates of return are without significance except as related to each other.

"This is not to say that we have been unmindful of historical tools in our approach to the problems of this case. We have carefully considered and have given such weight as we deemed proper to such, among other factors, as the original cost of construction, the company's net investment, the trended costs of the materials and labor that have gone into its plant, its capital structure, the reasonable needs of past investors in its securities, and its reasonable needs for expansion and the acquisition of new capital. We believe that the rates which we have fixed represent a reasonable balancing of the various interests involved and will result in fair dealing not only to the company and its investors but to the public as well." 30 NHPSC 266, 272, 273. The grounds upon which the order is claimed to be unlawful and unreasonable appear from the opinion.

APPEARANCES: Sulloway, Piper, Jones, Hollis & Godfrey, of Concord, and T. Baxter Milne, of Boston, Mass. (Franklin Hollis, of Concord), for appellant; Wyman, Starr, Booth, Wadleigh & Langdell, of Manchester (L. E. Wyman and Ralph E. Lang-

dell, both of Manchester, orally), for appellees; Claude H. Swain, of Concord, amicus curiae.

DUNCAN, J.; The fundamental basis for the company's appeal relates to the method of fixing rates adopted by the Commission. It assigns, among other grounds for the appeal, the "failure of Commission to make findings, as to the fair value of the company's property devoted to intrastate telephone service . . . or as to the intrastate base . . .," and the "failure of Commission to make findings as to the rate of return the company is entitled to earn on a reasonable rate base."

The Commission's investigation of the rates of the appellant company was instituted "to enable the Commission to pass upon the reasonableness of the rates or charges" of the company. Rev Laws Chap 287, § 37. Its statutory duty, both on petition by the utility for the determination of rates, and after hearing upon its own motion, is to determine and establish the "just and reasonable rates" to be thereafter observed by the utility. Rev Laws Chap 287, § 5; Chap 292, § 7. Under established practice, rates have customarily been fixed by determining a proper rate base upon which the utility should be entitled to a return, a rate of return which it should reasonably be entitled to earn thereon, and the amount of revenue required to produce the resulting return, and hence to be translated into rates.

In State v. Hampton Water Works Co. (1941) 91 NH 278, 38 PUR NS 72, 39 PUR NS 15, 18 A2d 765, 19 A2d 435, this court last had occasion to review Commission findings as to the fair value of a utility, and there

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undertook to lay down principles complying with requirements of the Federal Constitution, as established by a long line of decisions of the United States Supreme Court beginning with *Smyth v. Ames* (1898) 169 US 466, 42 L ed 819, 18 S Ct 418. No occasion is presented to trace from that decision the rise and fall of the doctrine of "fair value." It has been sufficiently reviewed by recent decisions and articles. See *Utah Power & Light Co. v. Public Service Commission* (1944) 107 Utah 155, 56 PUR NS 136, 152 P2d 542; *Scope of Judicial Review of Rate Regulation*, 39 Ill L Rev 160.

[1] With the decision of Federal Power Commission v. Hope Nat. Gas Co. (1944) 320 US 591, 88 L ed 333, 51 PUR NS 193, 64 S Ct 281, and cases since decided by the same court, concepts of the constitutional requirements which produced the "fair value" formula have been abandoned, and the principles which furnished a foundation for much which was said in the Hampton Case have been discarded. No longer are the provisions of the Constitution considered to require determination of fair value, or consideration of reproduction cost, or disregard of "prudent investment." The court said in the Hope Case: "We held in *Federal Power Commission v. Natural Gas Pipeline Co.* *supra* [315 US 575, 86 L ed 1037, 42 PUR NS 129, 62 S Ct 736], that the Commission was not bound to the use of any single formula or combination of formulae in determining rates . . . .

And when the Commission's order is challenged in the courts, the question is whether that order 'viewed in its entirety' meets the the requirements of

the act. *Id.* 315 US at p. 586. Under the statutory standard of 'just and reasonable' it is the result reached, not the method employed which is controlling." *Federal Power Commission v. Hope Nat. Gas Co.* *supra*, 320 US at p. 602, 51 PUR NS at p. 200.

[2-5] In support of the order of the Commission in this case, the state points to the Hope Case as authority for the proposition that the Commission is "freed . . . from all formulae," and asserts that the Commission's findings are adequate to permit determination by this court that "the total effect of the rate order cannot be said to be unjust and unreasonable." *Federal Power Commission v. Hope Nat. Gas Co.* *supra*, 320 US at p. 602, 51 PUR NS at p. 200. With this contention we cannot agree. So far as the issues before us are controlled by Federal law, it is plain that restrictions formerly imposed by the "fair value" doctrine have been swept away. But if the Commission may be said to be no longer "bound to the use of any single formula," we do not understand that it is thereby relieved from the duty to disclose the "method employed" to reach the prescribed rates, so that the validity of its conclusions may be tested upon judicial review. It may be noted that in the Hope Case, as in subsequent decisions called to our attention, the findings of the regulatory body whose orders were sustained disclosed a rational process by which a rate base and a rate of return were determined and applied, to produce the return translated into rates, *Colorado Interstate Gas Co. v. Federal Power Commission* (1945) 324 US 581, 89 L ed 1206, 58 PUR NS 65, 65 S Ct 829; *Panhandle Eastern*

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Pipe Line Co. v. Federal Power Commission (1945) 324 US 635, 648, 89 L ed 1241, 58 PUR NS 100, 65 S Ct 821, or in default thereof, the case was remanded for further findings. Colorado-Wyoming Gas Co. v. Federal Power Commission (1945) 324 US 626, 89 L ed 1235, 58 PUR NS 94, 65 S Ct 850.

In determining the validity of the order before us, primary consideration must be given to the requirements of our own statutes. We do not consider that the statutory requirement that rates shall be "just and reasonable" was an enactment into law of the fair value doctrine of *Smyth v. Ames*, *supra*. As the court said in *Utah Power & Light Co. v. Public Service Commission*, *supra*, [56 PUR NS at p. 158, 152 P2d at p. 558], ". . . it must be assumed that the legislature contemplated that the concept of that which is 'just and reasonable' might change with social trends . . . . The term . . . is not an absolute. The legislature need not amend the statute to permit the Commission to apply the present judicial interpretation of what is 'just and reasonable.'" The Commission in that case prescribed rates determined upon a prudent investment base. In *Commonwealth Teleph. Co. v. Public Service Commission* (1948) 252 Wis 481, 73 PUR NS 97, 32 NW 2d 247, however, the Commission, in mistaken reliance upon the *Hope Case*, undertook to fix rates without determining a base. Holding this to be arbitrary and unlawful, the court directed that specific findings be made of essential facts which would determine a rate base.

Some indication of the manner in which the legislature intended rates

to be fixed is found in the portion of the provisions of statute relating to temporary rates here quoted: ". . . such temporary rates shall be sufficient to yield not less than a reasonable return on the cost of the property of the utility used and useful in the public service less accrued depreciation . . . ." Rev Laws Chap 292, § 28. We do not say that the method so described necessarily extends to the fixing of permanent rates; but at least it serves to illustrate the legislative view that rates should be determined with reference to the investment upon which they are to provide a return. In this case, a definite finding by the Commission of the base upon which the company is entitled to a return is required by New Hampshire law.

The report of the Commission contains findings both as to net investment and a rate of return thereon which "would be considered reasonable . . . if [the commission] were to be concerned solely with the viewpoint of the company" and that of its investors. It suggests that total expenditures indicate "more than a mere possibility of wastefulness in construction and reconstruction," and fixes a smaller return, apparently prompted in part by consideration that the company's "reasonable needs for expansion and the acquisition of new capital" are less than the company contends. The rates so fixed without disclosure of base or rate of return, the Commission finds will "with proper economies in management," be just and reasonable both to the company and the public. By what method, by the disallowance of what expense or items of investment, or according to what standard the re-

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turn found otherwise reasonable is reduced, is not disclosed. To quote the company's brief, "what return on what is never stated." The kind of vague suspicion of wastefulness suggested by the report will not do as a justification for denying the company the relief sought, although apparently regarded as sufficient by the Commission.

In our opinion, the relief furnished by the Hope Case from the constitutional restrictions of a formula, do not operate to relieve the Commission of the duty to make findings of facts essential to permit review of its conclusions. This is fairly apparent from the statements of the court in Colorado-Wyoming Gas Co. v. Federal Power Commission, *supra*, 324 US at p. 634, 58 PUR NS at p. 99, decided since the Hope Case: "The review which Congress has provided for these rate orders is limited. § 19 (b), 15 USCA § 717r(b) says that the 'finding of the Commission as to the facts, if supported by substantial evidence, shall be conclusive.' But we must first know what the 'finding' is before we can give it that conclusive weight. We have repeatedly emphasized the need for clarity and completeness in the basic or essential findings on which administrative orders rest." See also, Commonwealth Teleph. Co. v. Public Service Commission, *supra*; Mississippi River Fuel Corp. v. Federal Power Commission (1947) 82 US App DC 208, 69 PUR NS 129, 163 F2d 433; Monroe Gas Light & Fuel Co. v. Michigan Pub. Utilities Commission, PUR1923E 661, 292 Fed 139. By a parity of reasoning, before this court can deem "findings of the Commission upon all questions of fact properly before it . . . to be prima facie

lawful and reasonable," Rev Laws Chap 414, § 13, the findings must be disclosed. Nor can the validity of Commission orders be determined, unless the findings upon which they rest can be measured against the evidence from which they are made. "The discretion and judgment confided in the Commission must be exercised upon facts and for reason. The duty of review imposed upon the courts requires that the facts be found and the reasons stated. Otherwise, the courts cannot determine whether a given action is or is not arbitrary." Mississippi River Fuel Corp. v. Federal Power Commission, *supra*, 69 PUR NS at p. 136, 163 F2d at p. 439. We see no reason for departure from the principles established by our cases, that the Commission is under a duty "to find all facts . . . essential to the presentation of all questions of law raised by . . . [their] order." Grafton County Electric Light & P. Co. v. State (1915) 77 NH 490, 498, 93 Atl 1028, 1031.

It is argued on behalf of the state that the Commission has "endeavored in this case to make a complete disclosure of the factual background upon which its decision rested," and that having found unduly burdensome to consumers a return derived from specified components and described as reasonable from the standpoint of the company, the Commission has properly fixed a lesser return. We recognize that "the public cannot properly be subjected to unreasonable rates in order simply that stockholders may earn dividends," Covington & L. Turnpike Road Co. v. Sandford (1896) 164 US 578, 41 L ed 560, 17 S Ct 198, 205 and that "regulation does not insure that the business shall produce ne-

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revenues.' *Supra*, 315 US at p. 590, 42 PUR NS at p. 140. Federal Power Commission v. Hope Nat. Gas Co. *supra*, 320 US at p. 603, 51 PUR NS at p. 200. We think it equally plain that rates may not be held unreasonable without reference to evidence from which their unreasonableness is considered to appear. If, as the report of the Commission implies, construction undertaken by the company is "wasteful," or its expense is unwarranted by the demand probable at the necessary price for service produced by it, or if "proper economies in management are lacking" so that operating expenditures are shown to be excessive or overestimated, unwarranted investments may be excluded from rate base, and unjustified expenditures from the determination of a reasonable return. Such exclusions call for findings, the accuracy of which may be reviewed. The primary responsibility for the making of such findings rests with the Commission. Because of its specialized assistance, and its consistent experience in regulation, its findings are accorded a legislative presumption of reasonableness. Rev Laws Chap 414, § 13, *supra*.

It is not for the court to search voluminous records for evidence which might be thought to support findings which are undisclosed. "Primarily it has the duty of determining the validity upon the evidence of the Commission's findings of the evidentiary facts upon which the justice and reasonableness of the order appealed from may depend." Parker-Young Co. v. State, 83 NH 551, 559, PUR1929E 160, 169, 145 Atl 786, 790. Since essential findings have not been made, we are unable to determine whether

the order is or is not "reasonable and lawful." Accordingly the case must be remanded for such findings. Parker-Young Co. v. State, *supra*; Grafton County Electric Light & P. Co. v. State, *supra*, 77 NH at p. 498.

[6] The record appears to afford no basis for determination of a proper return by any process other than the usual rate base method. The Commission undertook to find the company's net book cost investment as of December 31, 1947. There is no dispute that in doing so, it inadvertently made use of a net average figure for the year. With the error corrected, the finding intended by the Commission should have been \$15,627,882. To what extent if any the error affected the final rate determination made by the Commission cannot be determined from this record. While the Commission is free to use average investment figures, they are to be distinguished from year-end figures. The result reached by the Commission indicates little reliance upon "current cost" figures. Since they were entitled only to such weight as the Commission saw fit to give them, no error of law can be predicated upon their rejection.

There appears to be no reason why the Commission in formulating its findings upon remand, should depart from the procedure originally contemplated, that of determining a rate base for 1947, and bringing it forward through 1948. Since actual figures for 1948 may now be substituted for estimates, this can be done with greater certainty than has heretofore been possible. In so far as disputed issues arising out of the determination of net investment are likely to recur upon re-



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mand, they are considered elsewhere in this opinion.

[7, 8] The question of fixing a rate of return to be applied to the rate base is peculiarly within the discretion of the Commission. Whether it should rely upon the expert testimony presented by the state in preference to that offered by the company cannot be decided as a matter of law. The proper rate of return is a matter for the judgment of the Commission, based upon the evidence before it. In fixing the rate the cost of capital may not be ignored; but what that cost may be is also a matter for determination by the Commission upon the evidence. To the extent that it represents an opinion, the evidentiary basis for it should appear. Once determined, it marks the minimum rate of return to which the company is lawfully entitled. Whether more shall be allowed depends upon the Commission's determination of what is a "just and reasonable" return.

[9-11] The "end result" is to be reached by a "balancing of the investor and the consumer interests." *Federal Power Commission v. Hope Nat. Gas Co.* *supra*, 320 US at p. 603, 51 PUR NS at p. 200, 64 S Ct at p. 288. From the investor point of view this requires that there be enough revenue for the capital costs of the business including service on the debt and dividends on the stock: a return "commensurate with returns on investments in other enterprises having corresponding risks," and "sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital." *Colorado Interstate Gas Co. v. Federal Power Commission*, *supra*, 324 US at p. 605, 58

PUR NS at p. 81, 65 S Ct at p. 840; *Federal Power Commission v. Hope Nat. Gas Co.*, *supra*, 320 US at p. 603, 51 PUR NS at p. 200. As the Commission has recognized, a return fair to investors is not necessarily fair to consumers. *Federal Power Commission v. Natural Gas Pipeline Co.* (1942) 315 US 575, 608, 86 L ed 1037, 42 PUR NS 129, 62 S Ct 736. The "measure of a prudent outlay" may be determined by the Commission in fixing the base upon which the investor is entitled to a return, if the evidence is found to disclose inefficiency or improvidence. See *West Ohio Gas Co. v. Public Utilities Commission* (1935) 294 US 63, 72, 79 L ed 761, 6 PUR NS 449, 55 S Ct 316. While the good faith of management has not been seriously questioned, a finding of improvidence is not for that reason foreclosed, and might on proper evidence be taken to warrant denial of return upon investment found to be imprudent.

[12-15] The company has protested vigorously the use made by the Commission of evidence relating to rates in effect, or sought by the company, in other jurisdictions. Its motion that the evidential effect of these rates be limited to the question of "fairness and reasonableness of basic monthly rates in New Hampshire interstate" was denied. Consideration of the evidence is assigned as a ground of the appeal.

The Commission is not bound by technical rules of evidence, *Rev Laws Chap 287, § 10*, and the evidence was properly received without the requested limitation. It was offered primarily for the purpose of casting doubt upon the reasonableness of the pro-



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posed New Hampshire rates, and the "credibility of the case presented in New Hampshire." Because of the liberal rule regarding the admissibility of evidence before the Commission, however, it is important that only proper use shall be made of it. See *Interstate Commerce Commission v. Louisville & N. R. Co.* (1913) 227 US 88, 93, 57 L ed 431, 33 S Ct 185. Although the evidence was frequently referred to in the Commission's report, no impropriety of use is evident. The Commission found that the company's action with respect to rate schedules elsewhere recognized that the interests of subscribers "require a lower rate of return" than those to which the witnesses testified in these proceedings. It pointed out that the rates sought would subject New Hampshire subscribers to higher charges than those proposed for comparable service in the Massachusetts portion of the same company district. It found no proof of a difference in the value of the services, and stated that it was not satisfied that there was any reasonable basis why New Hampshire service should cost more. It noted that New Hampshire-filed rates are higher than those filed in any other state for a similar service.

The significance of some of these observations is somewhat dulled by the company's assertion that it now seeks rates to yield a comparable return in the other states in question. However, the evidence did not for this reason become incompetent. While the jurisdiction of the Commission is confined to New Hampshire intrastate rates, it is not required to fix them in a vacuum, or to close its eyes to the company's conduct of its affairs in

neighboring states where comparable conditions are to be anticipated. This is not to say that rates in New Hampshire may be fixed according to a standard of rates effective elsewhere. New Hampshire rates must reflect the proper and reasonable costs of business here. But a comparison of rates which reveals a differential not reasonably to be expected under conditions commonly regarded as comparable may be thought to make suspect the reasonableness of the various components relied upon to sustain the higher rates. No exposition of factors which might account for the apparent differential was undertaken by the company. It contented itself with its counsel's description of pending rate applications in the states in question. In this situation, the evidence was pertinent in considering whether the company had sustained its burden of establishing the reasonableness of the rates requested in New Hampshire.

Of itself, the evidence relating to rates elsewhere has no conclusive probative force. Its affirmative effect depends upon other evidence to which it may lead. Thus if the sudden and high cost increase in New Hampshire investment and operating expense is related to the circumstances that New Hampshire is "at the bottom of the . . . list in the matter of utilization of modern telephone equipment and apparatus," and shown to result from injudicious or discriminatory management, the company may not expect the consumer to be required to pay a return thereon. If accrued depreciation fails to take into account the obsolescence of antiquated equipment, its proper value for purposes of rate making may be determined. If new

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construction should have been undertaken upon a smaller scale or was unjustifiably postponed to an unpropitious time, a return based upon present construction cost is not required. Purchases made of affiliates at higher than normal or reasonable profit margins need not be accepted as a measure of allowable expense. See *United Gas Pub. Service Co. v. Texas* (1938) 303 US 123, 150, 151, 82 L ed 702, 22 PUR NS 113, 58 S Ct 483. In brief, costs inflated by improper charges or injudicious expenditures are not conclusive (see *San Diego Land & Town Co. v. Jasper* [1903] 189 US 439, 442, 47 L ed 892, 23 S Ct 571) and mere actuality of expense does not establish its "reasonableness . . . propriety or necessity." *Stanislaus County v. San Joaquin & K. River Canal & Irrig. Co.* (1904) 192 US 201, 214, 48 L ed 406, 24 S Ct 241, 246. As was said in *Mississippi River Fuel Corp. v. Federal Power Commission*, *supra*, 82 US App DC 208, 69 PUR NS 129, 152, 163 F2d 433, 451, "The 'end result' is the ability of the rate to meet the sum of the costs required to conduct the operation in fairness to the consumer and to the company."

It should be borne in mind that disallowances in investment base or expense of operation may not be arbitrarily made. Not only must their extent be fixed by findings, but the reason for disallowance must appear. In other words, they require disclosure of some rational process by which the consequences of any established impropriety are determined.

[16] The briefs of amicus curiae focus attention upon the question of whether the proposed rates, and in par-

ticular the monthly base rates established according to exchange groupings, would produce an equitable distribution of the increased revenue burden among the ratepayers. Rates are required to be just and reasonable in *se*, as well as in *toto*. Discrimination may be made the basis of complaint by municipalities, Rev Laws Chap 287, § 5, and preferences are forbidden. Rev Laws Chap 292, § 11. The company recognizes that an important step in rate making is "the adjustment of a rate schedule conforming to (the general revenue) level so as to eliminate discriminations and unfairness from its details." Federal Power Commission v. Natural Gas Pipeline Co. *supra*, 315 US at p. 584, 42 PUR NS at p. 136, 62 S Ct at p. 742. In view of what was said by the Commission in its former report *Re New England Teleph. & Teleg. Co.* (1947) 29 NHPSC 163, 187, 188, 190, 71 PUR NS 243, the issue has presumably received consideration. Whether it should be considered further in the light of the argument made before us is for the Commission to decide, having in mind that continued use of the service furnished by the company will be encouraged only if increases are equitably distributed among consumers.

[17] The appellant has signed as a ground of the appeal the action of the Commission in excluding from evidence a comparison between estimates made by the witness Hill in proceedings relating to rates of the New Jersey Bell Telephone Company, and actual results of subsequent operations as disclosed by the annual report of that company. The offer was made on the question of the credibility and

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weight of the witness' testimony, and excluded as remote. The probability of injection of collateral issues was apparent, and no error is perceived in the exclusion of the evidence. *Gerry v. Neugebauer* (1928) 83 NH 23, 26, 136 Atl 751; *Amoskeag Mfg. Co. v. Head* (1879) 59 NH 332, 337, 338.

[18-20] *Net Book Cost Investment.* In arriving at a figure for net intrastate investment as of December 31, 1947, the Commission excluded from consideration items of telephone plant under construction, amounting to \$488,534, and property held for future telephone use, totaling \$10,493, "because of the fact that they represent investment not yet used or useful in the public service." With this exclusion the company takes issue. The items were excluded from consideration by the state's expert witness for similar reasons, and because the effect upon return would be offset by increases in earnings when the plant should be placed in service. The company attacks his reasoning by reference to the testimony of its vice president that new construction would furnish no commensurate increase because designed primarily to effect improvements in existing service. The issue presented is essentially one of fact for the commission's determination. The same company official testified that "a great deal of the gross new construction" for the years 1946-1948 "is in addition to and not replacing former plant, and is adding to the total usable facilities in the states." There was evidence of substantial demand for better grades of service which when satisfied would produce increased revenue, offsetting the loss of return re-

sulting from exclusion of construction from the rate base. It also appeared that interest upon unfinished construction is capitalized by the company. In this situation, by almost universal rule, exclusion from the base is held proper to prevent a double return. See *Northern States Power Co. v. Public Service Commission* (1944) 73 ND 211, 230, 53 PUR NS 143, 13 NW2d 779; *Ohio Bell Teleph. Co. v. Public Utilities Commission* (1936) 131 Ohio St 539, 582, 15 PUR NS 443, 3 NE2d 475; *Public Service Commission v. Mountain Fuel Supply Co.* (Utah 1947) 73 PUR NS 428, 436; *Detroit v. Panhandle Eastern Pipe Line Co.* (1942) 3 FPC 273, 45 PUR NS 203, 214; *Re Commonwealth Teleph. Co.* (1941) 25 Wis PSC 1, 41 PUR NS 78, 86. The Commission was at liberty to determine the effect which should be given to the items in question in fixing rates for a period of two years without giving conclusive weight to views advanced by the company.

Related to these items is the Commission's suggestion that the magnitude of expenditure indicates "wastefulness in construction," and that the unprecedented program may exceed "reasonable needs" for expansion. These comments, and the query whether "the additional intrastate business demands the large increases in capital investment" can hardly be accorded the status of "essential findings" supporting the order made. *Grafton County Electric Light & P. Co. v. State, supra.* If they play a part in the conclusions of the Commission, specific findings should be made to indicate their use; and the Commission is entitled in dealing with these as well as other matters to take into account the burden resting

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upon the company to justify its figures. In its earliest report, made in granting temporary rates in 1947, the Commission emphasized the low percentage of dial telephone in New Hampshire, and the resulting "wage penalty." 29 NHPSC 163, 184, 71 PUR NS 243, 260. As previously noted, the report now before us states that "New Hampshire appears to be at the bottom . . . in the matter of . . . modern telephone equipment and apparatus." Although considerable testimony bearing upon this feature of the case was received in the course of the rate hearings, no finding indicates its effect upon the result reached. If it is considered by the Commission to have a bearing upon the propriety of charging consumers with a return upon construction at current costs, or with current costs of operations, findings are essential to permit review of the use made of such evidence.

In the usual case, absent considerations of double return, whether investments not presently used or useful in the public service shall be included in the base depends upon whether they are to be placed in such service within the period for which the rates are fixed. "There will be no need in the computation of the rate base to include the . . . value of (assets) not presently in use, unless the time for using them is so near that they may be said, at least by analogy, to have the quality of working capital. . . . Postponement of . . . profit until the stage of imminent or present use is not an act of confiscation, but a legitimate exercise of legislative judgment." *Columbus Gas & Fuel Co. v. Ohio Pub. Utilities Commission* (1934) 292 US 398, 406, 407, 78 L. ed 1327, 478 PUR NS

PUR NS 152, 158, 159, 54 S Ct 763, 767, 91 ALR 1403.

*The Effective Period of Two Years.* For such bearing as it may have upon the last considered issue, notice may be taken of the company's objection to the provision of the order making the rates effective for two years. It is asserted that the provision operates to "freeze" the rates without provision for modification which might otherwise be open in case of future unfavorable changes in economic conditions. The pertinent statute provides that "The rates . . . fixed and allowed by the Commission . . . shall be the rates . . . to be charged . . . for such period of time, not exceeding two years, as shall be prescribed in the order . . ." Rev Laws Chap 287, § 24. The Commission is not required to investigate rate matters more frequently than once in five years, Rev Laws Chap 287, § 5, but may do so in its discretion. We perceive no abuse of discretion in fixing two years as the effective period of the rate order, particularly since consideration was given in this case to foreseeable conditions during a longer period.

*Estimated Investment and Operating Figures for 1948.* While the report of the Commission compares the estimated average net investment figures for 1948 presented by the company and the state, no reported finding with respect thereto was made by the Commission. Upon remand, consideration should be given to the actual figures and appropriate findings made, so far as the company establishes that they are entitled to consideration in the determination of a fair return.

Findings were made by the Commis-

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sion as to estimated revenues and expenses for 1948, in determining the estimated loss of \$616,200 from intrastate operations for the year. The estimate of revenues, not substantially different from that of the company, is not seriously questioned. Objection is voiced, however, to adoption by the Commission of testimony of the witness Hill which excluded from operating expense substantial items of estimated depreciation and maintenance claimed by the company.

[21] *Depreciation.* The figures adopted by the Commission in estimating depreciation for 1948 were \$121,000 less than those advanced by the company. The company's brief concedes that the methods used by the witnesses who testified on the subject were the same, and that the difference in results reached "arises in the application of judgment to the known data." The argument presents no question of law; nor are we satisfied that the presumption of the reasonableness of the Commission's finding is overcome by evidence to the contrary. No disposition was shown to question the amount of the accumulated reserve for prior years. It does not follow that in estimating depreciation for the immediate future the company's estimates must be given the same recognition. The high proportion of depreciation and maintenance expense to total operating expense may be thought indicative of "provision for capital additions, over and above the amount required to cover capital consumption." *Lindheimer v. Illinois Bell Teleph. Co.* (1934) 292 US 151, 174, 78 L ed 1182, 3 PUR NS 337, 351, 54 S Ct 658.

*Maintenance.* Much the same an-

swer might be made to the objection to adoption of an estimated maintenance expense figure which was \$141,000 less than that of the company. Since these expenses have now become actual, the items involved should be reconsidered from the standpoint of propriety of allowance, and the objection becomes moot.

[22] Attention is called by *amicus curiae* to the possibility that charges to maintenance, and in particular items classified as "rearrangements and changes" result in large part from new construction and do not represent recurring costs of operation. While the company asserts that "it by no means follows that the expense item will disappear or be materially reduced by completion of construction," the issue is not thus easily resolved. See *Public Utilities Commission v. New England Teleph. & Teleg. Co.* (Me 1948) FC 1275, 75 PUR NS 275; *Re Wisconsin Teleph. Co.* (Wis 1936) 13 PUR NS 224, 240. Whether it should be further explored is for the Commission to determine. Certainly it may be considered in determining probable future operating expenses.

[23] *Other Operating Expense.* In the estimates of operating expenses for 1948, neither the state's witnesses nor the Commission made allowance for the expenses of the rate case. This was clearly error. The statute expressly provides that such expenses shall be charged to operating expenses, and "amortized over such period as the Commission shall deem proper." *Rev Laws Chap 287, § 37.* While the company has proposed three years as a suitable period, it was suggested in the *Hampton Case* that "In the lack of substantial evidence that another in-



## NEW HAMPSHIRE SUPREME COURT

vestigation will transpire within the quinquennial period, it should be employed as the only reasonable one to take for the amortization." (1941) 91 NH 278, 297, 38 PUR NS 72, 88, 18 A2d 765, 776. The period of amortization should be fixed by the Commission in the light of the consideration advanced by that decision.

[24] Whether Federal income taxes should be allowed as an operating expense is a matter in issue between the parties. The Commission estimated that the rates which it established would provide \$681,360 "after Federal Income Taxes." Since there was in fact no tax upon income for combined New Hampshire operations for the year 1947 because operations showed a loss, reference to that year would furnish no justification for omission of the expense in estimating for 1948.

Certain of the testimony appears to suggest that because of allowable deductions against combined income, the actual tax would be less than one computed upon intrastate income alone. Obviously no more than the estimated actual tax need be taken into account. An expense not in fact to be incurred may not be used to demonstrate an expected loss. On the other hand the state's argument that the tax should not be considered finds no support in the authorities. The proportion of the actual tax properly attributable to intrastate operations should be classified as an allowable expense of operation.

For reasons hereinbefore indicated, the order is

Remanded.

All concurred.

### DISTRICT OF COLUMBIA PUBLIC UTILITIES COMMISSION

## Re Washington Gas Light Company

Order No. 3487, P.U.C. No. 3197/1  
February 3, 1949

**P**ROCEEDING to determine proper depreciation accrual rate for gas utility; depreciation rate prescribed.

*Depreciation, § 32 — Straight-line basis.*

1. Use of the straight-line depreciation method affords equity to both investors and customers of a company, p. 87.

*Depreciation, § 56 — Gas utility.*

2. A composite depreciation rate of 2.1 per cent annually was approved in the case of a gas utility, p. 89.

*Depreciation, § 23 — Reserve requirement — Uncertainty.*

Discussion of the inaccuracy necessarily involved in estimating service lives of depreciable property and referring to a precise figure as a basis for determining depreciation reserve requirements, p. 87.



## RE WASHINGTON GAS LIGHT CO.

### *Depreciation, § 23 — Annual allowance — Future readjustments.*

Statement that the depreciation problem cannot be disposed of permanently, and if after a period of years an adjustment of book reserve is necessary, such adjustment should be treated as an operating revenue deduction over such reasonable period of time as may be determined by the circumstances then existing, p. 89.

### *Depreciation, § 37 — Reserves — Contribution account.*

Discussion of the availability of a balance in the account Contributions in Aid of Construction for the absorption of retirement losses, and the question of the addition of a balance in the contribution account to the balance in Reserve for Depreciation to determine the ratio of book reserve to depreciable plant, p. 90.

### *Accounting, § 19 — Contributions in aid of construction.*

Discussion of the question of eliminating the account Contributions in Aid of Construction, requiring a reduction of the appropriate plant accounts to the extent of the balance in the contribution account, and the alternative of transferring the balance in the contribution account directly to depreciation reserve, p. 90.

By the COMMISSION: One of the important duties imposed on this Commission by the statute<sup>1</sup> creating it is the prescription of depreciation accrual rates. The Washington Gas Light Company (the company or Washington Company) by reason of the termination of the sliding-scale arrangement by Order No. 3271 dated October 24, 1947, is presently without a formal order of the Commission with respect to depreciation accrual rates. Accruals are now being made at the annual rate of 2.2 per cent of depreciable property, in conformity with an exchange of correspondence between the company and the Commission in 1940 following the adoption by this Commission of the System of Accounts for Gas Utilities prescribed by the Federal Power Commission.

The problem of depreciation on the property of this company has given the Commission concern for a considerable period of time, and for this reason it is deemed advisable, before proceeding

with the immediate task at hand, to recite rather fully the depreciation history of the company and its former affiliate, The Georgetown Gaslight Company.<sup>2</sup> The company was incorporated on July 8, 1848. The former Georgetown Gaslight Company was incorporated on July 20, 1854. The Public Utilities Commission was not created until 1913.

From the date of incorporation until 1907 no provision was made for depreciation or retirement losses. In effect, retirements were charged directly against income. Beginning in 1907, accruals at the rate of 7 cents per thousand cubic feet of gas output were charged against income by the Washington Company for the purpose of providing a reserve for retirements and maintenance, but no charges for retirement were made against the reserve until 1910. The Georgetown Gaslight Company adopted a similar practice in 1910 but made no charges

<sup>1</sup> 37 US Stats, page 974, par 16.

<sup>2</sup> Merged with the company December 1, 1936.

## DISTRICT OF COLUMBIA PUBLIC UTILITIES COMMISSION

against the reserve for retirements until 1917. After this latter date, the depreciation practices of these two companies were generally consistent, so no further reference will be made to The Georgetown Gaslight Company. Beginning in 1913, the company changed the accrual rate from 7 cents per thousand cubic feet of output to 7 cents per thousand cubic feet of sales.

The first pronouncement of this Commission with respect to depreciation was found in Order No. 209, issued May 2, 1917. In that order the Commission, after considering the merits of both the straight-line and sinking-fund methods, found accrued depreciation as calculated on a straight-line basis with respect to historical cost to be \$1,099,397. A historical cost of \$5,713,514.32 was also determined by the Commission. Both of these findings were as of December 31, 1914, at which time the book reserve of Washington amounted to \$400,102.76. In this same order, the Commission also set forth annual depreciation accrual rates, both on a straight-line basis and on a 4 per cent sinking-fund basis for the various classes of property, but did not order the company to place either of such rates in effect.

In rate proceedings before the Commission in 1918 and 1919, the company contended that a rate of 12 cents per thousand cubic feet of gas sold was necessary to provide adequately for maintenance and retirements. Witnesses for the Commission in these proceedings testified that a rate somewhat lower than 12 cents would be adequate, but that a rate higher than 7 cents per thousand cubic feet then in effect was needed. In the orders disposing of these rate proceedings (254, PUR

1918C 475 and 314, PUR 1919C 976), no action was taken on the depreciation question. The company continued the use of the rate of 7 cents per thousand cubic feet of gas sold until May 31, 1920, at which time it was increased to 9 cents. This increase was in accord with the opinion of the Commission accompanying Order No. 378, PUR 1920D 626, dealing with an application for an increase in rates, although not definitely prescribed by the order. Again in rate proceedings in 1921 and 1923 the company contended that a rate of 12 cents per thousand cubic feet was necessary for maintenance and retirements but no action thereon was taken by the Commission. The 9-cent rate was continued in effect until August 31, 1926.

By the end of 1924, the reserve balance had been entirely depleted and it had been necessary during the years 1924 and 1925 to transfer \$181,254.27 from surplus in order to provide for charges for maintenance and retirements made during these two years. In spite of an increase in the accrual rate from 9 cents to 12 cents on September 1, 1926, the Washington Company again found it necessary to make an additional transfer from surplus in the year 1926, in order to meet the charges against the reserve for maintenance and retirements. This transfer amounted to \$170,437.95 and provided a balance in the reserve at December 31, 1926, of \$23,307.01. The aforementioned increase in the accrual rate on September 1, 1926, from 9 cents to 12 cents, was without the sanction of the Commission, and while the Commission informed the company that such an increase was unauthorized, the company continued the use of

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the higher rate through the year 1929.

On January 9, 1930, after discussions between the company and the Commission regarding the unauthorized increase of the accrual rates from 9 cents to 12 cents, the Commission, after due notice and formal hearings, issued its Order No. 822 requiring the company to create a reserve by making monthly charges to retirement expense at the rate of 2 cents per thousand cubic feet of gas sold. This order also required the company to discontinue setting up a reserve to cover maintenance. The order was made effective January 1, 1930, and continued in effect until December 13, 1935, the date of adoption of the sliding-scale arrangement. Meanwhile, the Commission on September 25, 1931, issued its Order No. 947, instituting a valuation of property of the company and directing the company to submit detailed information with respect to depreciation rates to be applied to the various classes of property. Considerable time, effort, and money were expended in making the valuations authorized by Order No. 947, and on March 19, 1935, the Commission issued its Order No. 1341, 11 PUR NS 119, in which it was found that accrued depreciation on a reproduction cost new basis as of June 30, 1932, amounted to \$2,855,000. No finding was made of accrued depreciation on an original cost basis nor was a finding made of the proper annual accruals either in rates or amounts.

Disposition of the valuation case brought into issue the question of rates for gas service, and, after protracted negotiations between the company and the Commission, a sliding-

scale arrangement was proposed and adopted by Order No. 1458 on December 13, 1935, 11 PUR NS 469. This arrangement specified an annual accrual rate of  $1\frac{1}{4}$  per cent of the rate base (which was found to be \$21,000,000 as of June 30, 1935, for the Washington Company and its subsidiaries, The Georgetown Gaslight Company and the Prince George's Gas Corporation), until such time as the reserve amounted to 10 per cent of the rate base, at which time the accrual rate would be reduced to  $1\frac{1}{4}$  per cent per annum. This order also found that the required retirement reserve of the company amounted to \$490,000 as of June 30, 1935, and the book reserve of the company was adjusted accordingly through surplus. It is pertinent to point out that, up to December 31, 1947, \$1,010,200.69 has been transferred to the reserve from either capital or earned surplus. The sliding-scale accrual rate of  $1\frac{1}{4}$  per cent of the rate base was continued in effect from December 16, 1935, until March 31, 1940.

By Order No. 1846, the Commission adopted the Uniform System of Accounts prescribed for Natural Gas Companies by the Federal Power Commission effective January 1, 1940, subject to certain modifications, chief of which was the provision that the accrual for depreciation should continue to be made in accordance with the sliding-scale arrangement. On May 31, 1940, the company requested authority to use for corporate purposes an accrual rate of 2.2 per cent of depreciable property. The Commission, by letter dated June 12, 1940, informed the company that it was in no wise passing on the propriety of the proposed rate and that it should not

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be understood that the Commission entertained the view that the proposed rate or rates prescribed in the sliding-scale arrangement are not subject to variation where the facts warrant. This letter also stated "Furthermore, should there be an abandonment of the sliding-scale arrangement, the Commission would determine the proper method and rate of accrual of depreciation." No specific objection to the proposed rate was contained in the said letter, and this rate has been continued in effect for corporate purposes since April 1, 1940. During the period from April 1, 1940, until the termination of the sliding-scale arrangement in 1947, accruals for corporate purposes at the 2.2 per cent rate, mentioned above, have exceeded the accruals allowed for rate-making purposes under the sliding-scale arrangement by \$709,196.77.

Since the abandonment of the sliding-scale arrangement by Order No. 3271, referred to above, the Commission's staff and the company's staff have collaborated in an exhaustive study of the depreciation problem of this company. The results of this study have been reviewed by the Commission and, as a result thereof, the Commission is now in a position to deal effectively with the depreciation problem of this company.

### *Present Status of the Depreciation Reserve*

At December 31, 1947, the reserve for depreciation recorded on the books of the company amounted to \$4,295,885.12. Included in this amount is \$267,156 applicable to transportation equipment and tools and work equipment; \$5,810 applicable to plant held for future use; and \$691,977 applicable

to production property to be abandoned as a result of the substitution of natural gas for mixed gas authorized by Order No. 3155. Hence, \$3,330,942 remains in the reserve for depreciation applicable to property, other than transportation equipment and tools and work equipment, which will continue to be used in the conduct of the company's business of distributing straight natural gas. The cost of the depreciable property in this category at December 31, 1947, is \$25,760,185.61. In addition to the reserve for depreciation, there is also available for the absorption of retirement losses the balance of \$1,480,165.02 in the account Contributions in Aid of Construction. It will be explained later that the account Contributions in Aid of Construction is presently being utilized as a secondary depreciation reserve, and, that the transfer of the balance in this account to the depreciation reserve is being contemplated. It is, therefore, appropriate to combine the balance in the contribution account with the depreciation reserve for the purpose of arriving at the true reserve ratio. Such a computation indicates a ratio at December 31, 1947, of approximately 18½ per cent. By comparison, such a ratio does not appear to be unduly low, although a general yardstick such as this cannot be used with any degree of certainty. More specific data with respect to the age of the property and estimated lives by property units are necessary before a determination as to the adequacy of the depreciation reserve can be made.

### *The Depreciation Study*

Reference has been made to a cooperative study by the staffs of the Commission and the company on the es-

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estimated reserve requirement as of December 31, 1947, and the estimated annual accrual. This study was started about two years ago, and the cost and age of the property by units were developed jointly by the company's and the Commission's accounting staffs. Engineers of both the company and the Commission also estimated the lives of the various units of property, but, by reason of the changeover from mixed to straight natural gas, the study was not formally presented to the Commission for action at that time.

Upon completion of the changeover to natural gas and the termination of the sliding-scale arrangement in the latter part of 1947, the necessity for bringing the original study up to date became increasingly important, and the accountants of the Commission and the company reached agreement on cost and age of the property by units as of December 31, 1947. Both the company's and the Commission's engineers independently reviewed their previous estimates of service lives and, after several conferences on differences, reached agreement on this phase of the problem. From these data, an estimated reserve requirement and estimated annual accruals were computed. A joint conference of the engineers and accountants of the company and Commission on the results of the computation indicated the desirability of further study and revision. Following this conference, the engineers devoted further time and study to the estimated service lives previously used, and as a result thereof the staffs of the company and the Commission reached agreement on the reasonableness of the estimated reserve requirement and the annual accrual rate. A summary of

the results of this study is set forth on Appendix A hereto. Both the reserve requirement and the annual accrual shown on the Appendix are premised on the straight-line method. Considerable time and effort were devoted by the staffs of the Commission and the company to a consideration of the compound interest method. Using the data developed in the study, the annual accrual on a 4 per cent compound interest method would amount to \$364,379. The reserve requirement under this method would be \$4,093,440.

[1] It is pertinent to point out that this Commission has consistently used the straight-line method in all of its recent cases where the question of depreciation was a factor. It has also utilized a depreciated original cost rate base; that is to say, the recorded book reserve has been deducted from the original cost of plant in arriving at the rate base. This treatment, the Commission believes, affords equity to both investors in and customers of the company, and should apply in this case.

### *Reserve Requirement*

The amount of the reserve requirement indicated by the depreciation study just discussed was arrived at by aggregating a multitude of calculations, based upon estimated service lives ranging from a few years to more than one hundred years, and recorded ages of the various items of property involved in the study, many of which were of necessity on an average basis. Reference to a precise figure, such as that developed in the study, implies a degree of certainty which in fact does not exist. It is true that the estimated lives used in this study were premised in part on past experience, but inadequate records in the company's early



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history detract somewhat from the reliability of this source of information as a guide to future experience. In the final analysis, the estimation of the service lives of depreciable property is at best a guess and subject to all the frailties of man's inability to foretell future events.

It is also pertinent to comment on the use of averages in estimating service life of property consisting of substantial numbers of identical units, such as mains, services and meters. The use of averages appears necessary in a study of this kind, but it is pertinent to call attention to the fact that, in numerous instances, the age of some of the units in the group exceeds the estimated life of the group as a whole. Where this condition occurred the reserve requirement includes an amount in excess of the cost of overage units. A rough calculation of the effect of premature retirements, or infant mortality, involving the retroactive application of the annual accrual rate hereinafter approved, indicates an overstatement of the reserve requirement of approximately one million dollars.

As will be pointed out hereinafter under the heading "Annual Accrual," the Commission is of the opinion that the estimated service lives used in the study are generally low. This conclusion leads to the further conclusion that the reserve requirement developed by the study, even after a rough adjustment for infant mortality, is a maximum figure and probably well in excess of a reasonable reserve requirement at the date of the study. For reasons which will be set forth in the immediately succeeding chapter on "Adjustment of Book Reserve," it is

not now necessary to make a definite finding or even express an opinion upon the total extent to which the computed reserve requirement appears to be excessive.

### *Adjustment of Book Reserve*

The computed reserve requirement of \$8,468,983, set forth in Appendix A hereto, after the adjustment for infant mortality commented on above, exceeds the book reserve, including the balance in the account Contributions in Aid of Construction, by roughly \$2,600,000. The question arises as to whether or not the book reserve should be adjusted by the amount of this difference or by some lesser amount. It should be reiterated at this point that the Commission believes the reserve requirement developed by the study, even after adjustment for infant mortality, is well in excess of a reasonable reserve for this company, and therefore, if any adjustment is made at this time, it should be substantially less than the difference set forth above. A reference to the history of the depreciation reserve recited in the early part of this opinion indicates that the Commission is, in part at least, responsible for the present status of the book reserve. Viewed by present-day standards, which have been developed from experience and intensive research during the existence of the Commission, it now appears that provision for depreciation during prior years should have been somewhat more than that actually recorded. In view of this fact, and again stressing both the possibility of error inherent in estimates of the reserve requirement and the conclusion that the requirement indicated by the study is a maximum figure and probably excessive, the Commission does not



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believe that an adjustment of the book reserve by a charge against past earnings is either equitable or warranted.

It has been pointed out that the company has recently changed its operations from mixed to natural gas, and this change necessitated abandonment of a substantial amount of production property. This matter was fully dealt with in the Commission's Order No. 3261 issued September 24, 1947. By that order, the company was directed to charge the unrecovered original cost of its West Station and Takoma Station (approximately \$2,241,000) to extraordinary property losses, and to amortize the same over a 10-year period beginning January 1, 1948. By the same order, the unrecovered cost of its East Station, namely \$5,034,693, was to be depreciated over the same 10-year period, due to the fact that this property is scheduled for abandonment within such period. The substantial amount of the unrecovered original cost of the production property just described was due not only to the changeover to natural gas but also to what may now be termed inadequate depreciation accruals in the past. In addition to the above-mentioned amortization and accelerated depreciation of production property, the cost of changing customer appliances to permit the use of natural gas instead of mixed gas is also being amortized over the 10-year period beginning January 1, 1948. Roughly, these extraordinary items amount to about one million dollars annually.

In view of the foregoing, the Commission believes that, barring unforeseen circumstances or unusual events, any adjustment of the book reserve for depreciation applicable to property

covered by the depreciation study should be deferred until after the expiration of the 10-year period beginning January 1, 1948.

It is pertinent to call attention to the fact that the depreciation problem is not one that can be disposed of permanently. A reserve requirement study at some future date, premised on additional experience acquired in the interim, might produce substantially different results. Furthermore, the accrual rate hereinafter approved may possibly be sufficient to improve the reserve ratio to some extent during the next ten years. If, however, at the expiration of the 10-year period just discussed, it appears that an adjustment of the book reserve is then necessary, the Commission believes that such adjustment should be treated as an Operating Revenue Deduction over such reasonable period of time as may be determined by the circumstances then existing. The foregoing conclusion stems from the fact that the rates charged for gas service by this company have been closely regulated and the accruals for depreciation, particularly during the existence of the sliding-scale arrangement, have constituted an important factor in the determination of such rates.

### *Annual Accrual.*

[2] By referring to Appendix A hereto it will be noted that an annual accrual of \$556,929.95 and a composite annual accrual rate of 2.16 per cent are indicated. It has heretofore been pointed out that the company is presently accruing for depreciation at the rate of 2.2 per cent per annum. This latter rate, however, includes provision for depreciation on transporta-

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tion equipment and tools and work equipment. If this rate be applied to book cost of depreciable property, including the investment in transportation equipment and tools and work equipment at December 31, 1947, an annual accrual of \$579,539.38 is indicated. The deduction of the 1947 accrual for transportation equipment and tools and work equipment of \$25,124.34 from the amount so computed would indicate an accrual of \$554,415, to compare with the accrual indicated by the study, namely \$556,929.95. Hence, the present rate of 2.20 per cent, after the elimination of accruals on transportation equipment and tools and work equipment, indicates an accrual rate of 2.15 per cent to compare with the 2.16 per cent rate indicated by the recent study. By reason of the present abnormal market for used cars, the 1947 accrual for transportation equipment and tools and work equipment is well below anticipated future accruals for this type of property. Therefore, the comparison of the present accrual rate with the accrual rate indicated by the study reflects a conformity which will probably not obtain in the future. This comparison does show, however, that it will not be necessary to adjust the 1948 accruals to the basis of the rate indicated by the study.

A review of the detail behind the development of the annual accrual rate indicates that the average service lives agreed to by the Commission and company engineers are generally a little on the low side. For example, the company's office building, a modern steel, concrete, and brick structure erected in 1942, is given an estimated life of only 60 years; cast iron and

steel service pipes of varying sizes are given a composite estimated life of 38.2 years; and cast iron and steel distribution mains of varying sizes up to 24 inches, including bell joint clamps, are given a composite estimated life of 67½ years. In view of this conservatism on the part of the engineers, the Commission is of the opinion that the composite rate of 2.16 per cent is a maximum requirement. Nevertheless, it represents the results of agreement reached by competent and qualified experts without benefit of knowledge of the final result. The Commission believes that a rounding off of the computed figure of 2.16 per cent to 2.1 per cent is justified, and the order will so specify.

### *Contributions in Aid of Construction.*

Reference has heretofore been made to the availability of the balance in the account Contributions in Aid of Construction for the absorption of retirement losses. It has been the practice of this Commission to require the utilities under its jurisdiction to charge a portion of retirements of property paid for by contributions, to the contribution account. In other words, the contribution account has been used as a secondary depreciation reserve. It is for this reason that the balance in the contribution account has been added to the balance in the reserve for depreciation in determining the ratio of book reserve to depreciable plant.

It has also been the practice to deduct the balance in the contribution account, not only in arriving at the rate base, but in arriving at the depreciable base as well, in order to prevent allowing a return on and the recovery of capital not invested by the company.

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The above-described process is somewhat cumbersome, and the same results can be obtained by eliminating the contribution account entirely, and crediting contributions directly to the plant account affected. If such a change is effected, it would be consistent to require a reduction of the appropriate plant accounts to the extent of the balance in the contribution account, but such a requirement would be unduly burdensome by reason of the substantial number of small items involved in the present balance in the account. As an alternative, the Commission believes that a transfer of the balance in the contribution account directly to the depreciation reserve would be both equitable and reasonable and would achieve the same end result. The account Contributions in Aid of Construction has recently been eliminated from the System of Accounts for Telephone Companies by both this Commission and the Federal Communications Commission. This Commission is informed that the Committee on Statistics and Accounts of the National Association of Railroad and Utilities Commissioners will consider a similar change in the System of Accounts for Gas and Electric Utilities at an early date. This Commission is of the opinion that the elimination of the contribution account and the crediting of future contributions directly to plant account is definitely desirable, in that it not only permits the use of recorded book cost as a depreciable base and eliminates the necessity for deduction of the contribution account in arriving at a proper rate base, but it insures the recording in the property account of only the investment actually made by the company. It would be de-

sirable in disposing of the depreciation problem of the company to effect this change at this time in order that the balance in the contribution account might be added directly to the balance in the depreciation reserve, but until the Committee on Statistics and Accounts of the National Association of Railroad and Utilities Commissioners expresses its views, action on this matter will be deferred. To be consistent with the contemplated transfer of the balance in the contribution account to the depreciation reserve, it will be necessary, pending action on this matter, to discontinue the practice of deducting the balance in the contribution account in arriving at the depreciable base. This change was contemplated and given effect in arriving at the annual accrual rate of 2.1 per cent approved herein.

Meanwhile, it is important to reiterate that the balance in the contribution account is for all practical purposes part and parcel of the company's depreciation reserve.

### *Conclusion.*

As heretofore stated, the depreciation problem is a recurring one and requires continuing study in order to determine with any degree of exactness the appropriate annual accrual and the estimated reserve requirement at a given date. The facts in this case indicate that depreciation accruals in the past, when viewed in the light of present day concepts, have been somewhat inadequate. The conclusion has been reached that any adjustment of the book reserve by reason thereof should be deferred at this time because of all of the circumstances involved, particularly the steps that are now being

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taken as a result of the changeover to natural gas and the responsibility of the Commission for the present status of the depreciation reserve.

The Commission is well aware of its duty to maintain the company in a sound financial position, which includes, among other things, the maintenance of an adequate reserve for depreciation. It does not believe, however, under the circumstances involved in this case, that an immediate adjustment of the book reserve is essential to the attainment of this objective. On the contrary, the Commission believes that the action taken with respect to production property, coupled with the accrual rate approved herein, will tend to achieve this objective in an orderly manner that will be equitable to both investors in and customers of the company. To summarize, it is the Commission's considered judgment that the reserve presently appearing on the company's books and the depreciation

rate provided in this order, coupled with the provisions of our amortization Order No. 3261, affords adequate protection to investors and consumers and meets all other requirements. Therefore,

It is *ordered*:

That on and after January 1, 1949, accruals for depreciation on depreciable property, other than transportation equipment and tools and work equipment, and production property scheduled for abandonment and being separately depreciated in accordance with the provisions of § 3 of Order No. 3261, shall be made by the Washington Gas Light Company at the composite rate of 2.1 per cent per annum; provided that nothing contained herein shall be construed as requiring a change in the present practice of accruing depreciation on transportation equipment and tools and work equipment on a straight-line unit basis.

### APPENDIX A WASHINGTON GAS LIGHT COMPANY

Depreciable Property, Annual Accruals, and Estimated Depreciation Reserve Requirement  
As of December 31, 1947

Description of Property	Book Cost at December 31, 1947	Annual Accrual		Computed Reserve Requirement <sup>1</sup>
		Rate	Amount	
Production Plant .....	\$332,298.27	2.91%	\$9,680.75	\$121,474
Storage Plant .....	1,168,043.80	1.59	18,581.00	544,476
Transmission Plant .....	692,865.86	2.16	14,944.74	118,837
Distribution Plant .....	21,256,181.67	2.09	444,976.90	7,091,000
General Plant .....	2,310,796.01	2.98	68,746.56	593,196
<b>Total .....</b>	<b>\$25,760,185.61<sup>1</sup></b>	<b>2.16%</b>	<b>\$556,929.95</b>	<b>\$8,468,983</b>

<sup>1</sup> Book cost of gas plant in service at December 31, 1947, amounted to \$32,763,649.05. The difference between this amount and the total cost of depreciable property reflected above is accounted for by the following:

Land .....	\$818,843.89
Transportation Equipment and Tools and Work Equipment .....	582,513.53
Gas Plant in Temporary Use being depreciated over a 10-year period in accordance with Order No. 3261 .....	5,602,055.12
Cost of Paving applicable to the Washington Maryland Company erroneously charged to Plant Account .....	50.90
<b>Total .....</b>	<b>\$7,003,463.44</b>

<sup>2</sup> Indicated annual accrual multiplied by years of age.

NEW YORK PUBLIC SERVICE COMMISSION

Re Village of Penn Yan

Case 13420  
April 19, 1949

**P**ROCEEDING on motion of Commission as to general increase in rates proposed by municipal electric plant; rate increase approved.

*Municipal plants, § 9 — Jurisdiction of Commission — Abandonment of municipal enterprise.*

1. It is not within the province of the Commission to take a position, in fixing rates for a municipal electric plant, which would compel the municipality to abandon its municipal enterprise, since that is a question for the responsible municipal officers, p. 94.

*Rates, § 428 — Municipal plant — Alternative operating method.*

2. The Commission should fix rates for a municipal electric plant on the basis of the existing plant and equipment and not upon the ability of the municipality to buy energy from outside sources, p. 94.

**APPEARANCES:** Sherman C. Ward, Acting Counsel (by Lawrence J. Olmsted, Assistant Counsel), for the Public Service Commission; Paul R. Taylor, Penn Yan, Member of Municipal Board of Penn Yan; Charles Hunter, Penn Yan, Deputy Village Treasurer of Penn Yan; Harry Van Buren, Penn Yan, Clerk of Village of Penn Yan; Charles Beaumont and Paul Sands, Penn Yan, Members of the Municipal Board of Penn Yan.

**EDDY, Commissioner:** The facts and basic figures in this case are set forth in a report from the Bureau of Research and Valuation. They indicate, on the basis of the figures in the record, an assumed deficit for the year 1948 of \$33,700 on the basis that the present interim rates had been effective during the entire year. It follows, therefore, that in determining the rates

for a future year that revenue would have to be increased by that amount plus a reasonable return on the property and plus such allowance for taxes as might be proper if there were no other factors in the case.

Certain evidence which is produced, however, indicates that were the village to buy its entire power requirement from the New York State Electric & Gas Company and abandon its present generating plant, a considerable saving would be effected. In part that saving would be the elimination of depreciation costs on the generating plant. The question, therefore, is squarely presented in this case as to whether or not a municipality owning its own plant (and granted that plant is not as efficient as it should be) should be compelled to fix its rates on the basis of its ability to purchase



## NEW YORK PUBLIC SERVICE COMMISSION

power from an outside source at a cheaper cost than the municipality itself could generate the necessary energy.

Presently the village owns a generating plant. If it buys energy and retires the plant, it will face a loss of the amount at which the plant is presently carried; or if it chooses to keep the plant as standby equipment, it still will be faced with depreciation charges against the plant; so that the purchase of electric energy, while it will produce a theoretical saving, in actual dollars and cents as far as the municipality is concerned, will not produce the same saving which is indicated in the staff report.

To put it another way, as far as the village itself is concerned, the saving by purchasing energy and scrapping its plant will not be as great as the saving in electric light bills to its customers if energy were purchased and the plant was no longer considered in the rate base.

Upon the hearings a question was raised by the village officials as to whether or not it could obtain electric energy on as favorable a basis as the testimony of the Commission's staff indicated. Be that as it may, the testimony clearly indicates that leaving out all other factors, the municipality can buy energy cheaper than it can produce it with the present plant.

Some discussion of the rates in Penn Yan may be appropriate. The rates prior to the institution of this proceeding were originally set on a basis which afforded no return, in fact, were non-compensatory. The plant has now reached the point, coupled with increased operating expenses, where the deficit has mounted to a point that the

reserves built up in the past will be speedily exhausted unless the rates are put upon a compensatory basis. There is not sufficient data to determine whether a new and modern plant could produce energy cheaper than it could be purchased; and irrespective of the fact that as of today the energy could be purchased cheaper than generated by the present plant, there is always the question if the village had no plant, whether the village could continue indefinitely in the future.

### *Discussion:*

[1,2] The real question for determination here is whether rates should be fixed on the basis of the existing plant and equipment of the village or whether they should be based upon the ability of the village to buy energy from outside sources.

The practical result of our fixing rates upon the basis of purchasing energy from outside sources would be to compel the village either to abandon its plant or raise its operating deficit through taxation. In our opinion the question as to whether the village should continue to operate its plant, or possibly build a new plant, or buy energy from outside sources is primarily a question for the responsible municipal officers selected by the people of the municipality to determine. In this case we do not feel it within our province to take a position which would compel a municipality to abandon a municipal enterprise.

In view of the proof before us, we feel the rates should be fixed upon a basis which will substantially cause the enterprise to break even. The municipality originally requested an increase of 20 per cent in rates. On the

## RE PENN YAN

last hearing that request was amended upward. The rates herein proposed are estimated to yield substantially \$33,000 over the rates presently in ex-

istence and will substantially cover any operating deficit for a future year. The monthly net rates proposed fol-

<i>Proposed</i>	
<b>RESIDENTIAL (Village only)</b>	
First 10 kw. hr. or less .....	\$ .50
Next 40 kw. hr., per kw. hr. ....	.035
Next 150 kw. hr., per kw. hr. ....	.025
Over 200 kw. hr., per kw. hr. ....	.018
<b>COMMERCIAL AND INDUSTRIAL * (Village only)</b>	
First 10 kw. hr. or less .....	\$ .50
Next 40 kw. hr., per kw. hr. ....	.035
Next 350 kw. hr., per kw. hr. ....	.025
Next 500 kw. hr., per kw. hr. ....	.02
Next 2000 kw. hr., per kw. hr. ....	.015
Over 2900 kw. hr., per kw. hr. ....	.013

<i>Present</i>	
First 9 kw. hr. or less .....	\$ .24
Next 26 kw. hr., per kw. hr. ....	.028
Next 130 kw. hr., per kw. hr. ....	.022
Over 165 kw. hr., per kw. hr. ....	.017
First 100 kw. hr., per kw. hr. ....	\$ .028
Next 500 kw. hr., per kw. hr. ....	.022
Next 500 kw. hr., per kw. hr. ....	.017
Over 1100 kw. hr., per kw. hr. ....	.011
Monthly Minimum Charge .....	.50

\* Industrial rate is same but with unchanged fuel surcharge.

### OUTSIDE VILLAGE—ALL PURPOSES, including residential

First 10 kw. hr. or less .....	\$ .75
Next 40 kw. hr., per kw. hr. ....	.04
Next 350 kw. hr., per kw. hr. ....	.028
Next 500 kw. hr., per kw. hr. ....	.025
Over 900 kw. hr., per kw. hr. ....	.022

First 15 kw. hr. or less .....	\$ .50
Next 385 kw. hr., per kw. hr. ....	.028
Over 400 kw. hr., per kw. hr. ....	.022

### Conclusion and Recommendation:

It is recommended that if the village of Penn Yan files rates in accordance with this memorandum, the Com-

mission will consider permitting them to become effective on one day's notice and on the filing of such rates, the suspension order herein will be vacated.

## NEW YORK PUBLIC SERVICE COMMISSION

# Re Orange County Telephone Company

Case 14088  
May 18, 1949

**P**ROCEEDING on motion of Commission as to increased local service telephone rates; rates permitted to become effective.

### Return, § 111 — Telephone company.

Telephone rates which would yield 5.58 per cent on the rate base were permitted to become effective, it appearing that if the portion of pension policy premium applicable to past service were not to be eliminated the rate of return would be 5.35 per cent.

## NEW YORK PUBLIC SERVICE COMMISSION

**APPEARANCES:** Sherman C. Ward, Acting Counsel (by Frank C. Bowers, Assistant Counsel) for the Public Service Commission; William H. Fitzgerald, Middletown, Attorney, for Orange County Telephone Company; Michael A. Gurda, Middletown, Corporation Counsel, of city of Middletown; Harry O. Prince, Slate Hill, New York, Supervisor of the town of Wawayanda.

By the COMMISSION: If a return of

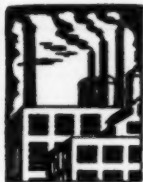
approximately 5½ per cent were to be permitted, the corresponding telephone rates would be substantially those which the company has filed and which have been suspended in this proceeding. We compute that after the recommended adjustments to the company's estimates of revenues and expenses the company's rates would yield 5.58 per cent on the rate base as found by the examiner of \$1,750,000, as follows:

Company's estimate of annual revenue at its proposed rates .....	\$646,681	
Plus adjustment for estimated additional toll revenue .....	16,392	
		\$663,073
Company's estimate of annual operating expenses and taxes (before income tax) .....	\$520,334	
Less net adjustment (after allowance for increased toll expenses) .....	1,430	518,904
Resultant operating income .....	144,169	
Less income deductions .....	21,715	
		122,454
Income tax, 38% .....		46,533
Operating income less income tax .....		97,636
Equals 5.58% on rate base of .....		\$1,750,000

If the elimination of \$6,514 from prospective expenses as that portion of the pension policy premium applicable to past service were not to be made, the rate of return from the company's proposed telephone rates would be 5.35 per cent.

It should be stated that rates approved for the exchanges here involved will also apply to the new Circleville exchange and to the Denton exchange, when placed in operation.

The suspended rates should be permitted to become effective.



# Industrial Progress

*A digest of information on new construction by privately managed utilities; similar information relating to government owned utilities; news concerning products, supplies and services offered by manufacturers; also notices of changes in personnel.*



## American Power & Lt. System Plans \$95,000,000 Program

OPERATING subsidiaries in the American Power & Light system plan to spend \$95,000,000 this year to improve and expand service as part of their postwar construction program.

This amount is only slightly less than the \$97,000,000 spent on new construction in 1948. Ultimate goal of the expansion program by the end of 1951 is to increase the system's total generating capacity 50 per cent above the amount in service at the beginning of 1948.

## 3-Purpose Desk for Public Utilities

PRODUCTION of a new, 3-purpose customer service counter-desk of especial value to the one or two clerk public utility office has been announced by Remington Rand.

The new desk gives a working surface and drawer space for bookkeeping, and serves as a counter for customer service while also providing insulated, fire-proof protection for all records.

A pamphlet, "The New 3-Purpose Counter Desk," number SC 638, will be sent without charge on application to Remington Rand, 315 Fourth avenue, New York 10.

## Monongahela Pwr. to Spend \$34,000,000 On Expansion

MONONGAHELA Power Company plans to spend \$34,000,000 in new plant construction and expansion during the next three years, according to A. C. Spurr, president.

During 1947 and 1948, expenditures for plant construction and expansion amounted to \$20,000,000.

## Old Stoves to Be Rounded-Up in Gas Industry Sales Campaign

SALESMEN, dressed as cowboys, will be scouring the country this fall to locate the oldest cooking appliance in use in every city and town in the country and replace it with a new gas range, when gas utilities, 62 gas range manufacturers and approximately 70,000 gas range dealers, launch a nationwide "Old Stove Round-Up."

Always a popular and successful gas industry promotional theme prewar, the 1949 "Old Stove Round-Up" marks the gas industry's return to all-out industry-wide sales campaigns to replace obsolete gas ranges with new models. All of the national advertising and sales pro-

motion facilities of the industry will be coordinated in this program. Chief objective will be to point out to present and future homemakers that they should not judge gas as a fuel for cooking or gas ranges as cooking devices by the ten, fifteen, and twenty-five-year-old gas ranges now in use in many homes.

Nearly 50 per cent of the 25,770,000 gas ranges in use are more than ten years old and 25 per cent are more than fifteen years old. Thousands of gas ranges in use were manufactured in the early 1900's.

Details of the program will be outlined to gas utilities, manufacturers, and dealers at special meetings held during July and August. Wherever possible, these meetings will be held in fair grounds or other outdoor arenas and will be featured by events which will give a western round-up atmosphere.

Special regional sales awards will be presented to sales leaders in various parts of the country.

## New Bauer & Black No. 163 Tape Tops Friction Tape

A NEW electrical adhesive tape (No. 163) that is said to outperform ASTM friction tape more than 8 ways has been announced by Bauer & Black.

According to the manufacturer, No. 163 electrical adhesive tape has a higher dielectric strength, 2,000 volts; is a better moisture barrier; is thinner, yet has equal tensile strength; has a higher tack; is cleaner; unwinds easier; is non-fraying; and sticks firmly to any clean, dry surface. The new tape exceeds ASTM standards in all these specifications.

No. 163 is further claimed to be notable for its bulk-free insulation qualities resulting from its high dielectric strength combined with exceptional thinness. It is manufactured to cost no more than most friction tape.

For further information write Bauer & Black, Industrial Adhesive Tape Department F, 222 West Adams street, Chicago 6, Illinois.

## Dravo Corp. to Construct Barge Unloader for Duquesne Light

DRAVO CORPORATION, Pittsburgh, has been awarded a contract to construct a river barge unloading terminal and other coal-handling facilities at the Frank R. Phillips power station of the Duquesne Light Company at Wireton, Pennsylvania.

It is expected that construction of the barge unloader, designed to handle 500 tons of coal an hour, will be completed by December 1st.

The additional coal handling facilities are

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part of a major expansion program at the Phillips station to meet increasing demands for electricity. Dravo now is building two additions to the power station that will more than triple its present generating capacity. The station supplies current to Duquesne Light's 66,000-volt transmission network serving an area 120 miles in circumference covering some 800 square miles.

### **\$15,000,000 Program Planned by Pennsylvania Electric**

PENNSYLVANIA ELECTRIC COMPANY plans to spend \$15,000,000 on its 1949 construction program.

Expenditures last year for new plant and equipment amounted to \$16,600,000.

### **Fed. Tel. & Radio Develops New Mobile Radiotelephone Unit**

A NEW, economical mobile radiotelephone unit which is said to offer outstanding reliability through the use of improved circuits and components has been developed by Federal Telephone and Radio Corporation, Clifton, New Jersey, manufacturing associate of International Telephone and Telegraph Corporation. Providing superior performance at a lower cost than heretofore possible, this unit—priced at \$350.00—known as the FT-145-10, has a power output of 10 watts at any frequency in the 152 to 162 megacycle band.

In engineering the FT-145-10, particular emphasis was placed in designing equipment that would operate reliably for long periods of time under adverse weather and terrain conditions. In addition to minimizing the possibility of trouble, the Federal unit also contains many features designed to simplify maintenance and servicing.

Further information may be obtained from the manufacturer.

### **Homelite Corp. Opens Pittsburgh Office**

HOMELITE CORPORATION, Port Chester, New York, announces the opening of a new branch office in Pittsburgh to cover western Pennsylvania, West Virginia, and eastern Ohio.

William Livingston is in charge of the new office, which is located at 810 Ridge avenue.

### **Kuljian Appointment**

THE Kuljian Corporation, engineers and constructors, announce the appointment of F. Leon (Lee) Yetter to their staff as personnel director in their foreign department. His initial duties are in connection with a contract recently awarded to design, construct, and operate a new 200,000 KW steam power plant for the government of India.

Mr. Yetter recently resigned as vice-president and assistant general manager of C. H. Wheeler Manufacturing Company in order to join The Kuljian Corporation.



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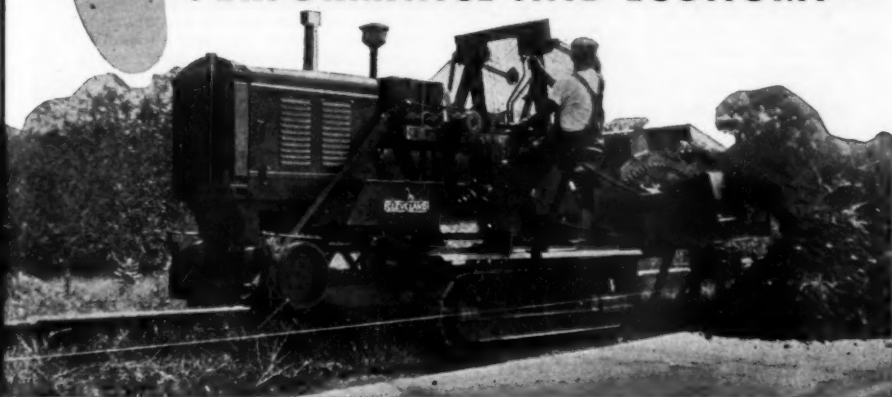
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## Etraco Develops New Portable Step-down Safety Transformer

**T**HE Etraco Manufacturing Company, Inc., Woods Church road, Flemington, New Jersey, has announced the development of "Saf-T-Lite," a portable step-down transformer which has been designed to prevent death by electrocution often caused by the accidental grounding of portable extension trouble-lamps.

The portable safety unit weighs only 4½ pounds and reduces a 110 volt circuit to only 6 volts, which is even lower than the recommended voltage for the operation of trouble-lamps in damp or otherwise hazardous locations where contact with a 110 volt lighting circuit might result in fatal shock.

Also in production is a larger model designed to reduce a 220 volt lighting circuit down to 32 volts. This larger portable unit is intended for use in working areas where increased wattage for general lighting is desired, but under conditions which do not expose the user to the type of hazard for which the 6 volt "Saf-T-Lite" is designed.

Both the 6 volt and 32 volt "Saf-T-Lite" models are being made available either complete with trouble-lamp and 25 feet of heavy insulated extension cord, or just as safety transformers with insulated leads for quick and easy connection, according to the manufacturer.

## New Weed Killer

**T**HE newest thing in chemical weed and brush control is 2,4,5-T, reports the California Spray-Chemical Corporation.

According to the manufacturer, 2,4,5-T is a welcome addition to chemical hormone weed killers as it gives better control than 2,4-D of blackberries and poison oak; also willows and many other woody perennials.

## Paint Catalog Issued by Cheesman-Elliott

**C**HEESMAN-ELLIOT COMPANY, Inc., manufacturers of Ceco Technical Paints, has published a new 32-page illustrated catalog featuring over 75 various kinds of performance tested paints and protective coatings—interior and exterior paints, chemical resisting paints, heat resisting paints, fire retardant paints, bleed proof paints, bituminous paint, metal preservative paints, and primers.

Copies may be obtained by writing 3701 N. Broad street, Phila. 40, Pa., or 647 Kent avenue, Brooklyn, 11, N. Y.

## A-C Bulletin

**A**LLIS-CHALMERS Type BZO-160 oil circuit breaker—69kv; 115 kv to 230 kv—for the electrical protection of high voltage transmission equipment, is described in a new eight-page bulletin released by the company.

Covered are those features of the breaker—including its pole unit mechanism, electro-pneumatic operator for 20-cycle reclosing, 5-

cycle Turbo-Ruptor arc interrupting devices and structure—which make for dependable protection, long life, and low-cost maintenance.

A table of dimensions is also included in the bulletin, "Allis-Chalmers Oil Circuit Breakers," 71B6022C, copies of which are available upon request from Allis-Chalmers Mfg. Company, 965 South 70th street, Milwaukee, Wisconsin.

## G-E Moves Record Shipment in Weight to Chicago

**T**HE heaviest single piece of electrical equipment ever shipped from the General Electric Works at Schenectady was recently sent to Commonwealth Edison Company's Fisk station in Chicago. The unit, a stator for a 150,000 kw. generator, weighs 388,540 lbs., making the combined flat car and stator weight 502,540 lbs.

Traveling during daylight hours only, the stator was routed over four railroads at a maximum speed of 15 miles per hour. The special routing was necessary because of clearance limitations and because of the record weight of the shipment. The over-all height of the load from rail top to stator top was 17 feet, three inches, the over-all width 12 feet seven inches. The flat car, which is more than 46 feet long, weighs 112,000 lbs. and is one of 10 such cars in the country capable of carrying the stator. Two 100-ton cranes were required to hoist the stator and set it on the flat car.

A special hardwood skid, weighing 14,100 lbs. was built and shipped from GE's Schenectady Works to Chicago to unload the stator at the Fisk station.

## Locke, Inc., Appoints Sales Engineer

**L.**A. PERRY has been appointed sales engineer of Locke Incorporated, and will work as a member of the northeastern sales region, according to an announcement by E. M. Haines, vice president of marketing.

## New Heat Transfer Dept. Manager at C. H. Wheeler

**C.**H. WHEELER MANUFACTURING COMPANY, Philadelphia, has recently announced the appointment of Herbert G. Johnson as manager of their heat transfer department. He will handle the sales engineering of steam condensers, cooling towers and vacuum equipment.

## G-E Appointment

**G**LENN B. WARREN has been appointed manager of General Electric's turbine divisions, H. V. Erben, vice president and general manager of the G-E apparatus department, has announced. Mr. Warren succeeds John W. Belanger, who recently was named assistant general manager of the apparatus department.

Following his appointment as manager of the turbine divisions, Mr. Warren named Edwin E. Parker to succeed him as manager of engineering of the turbine divisions.



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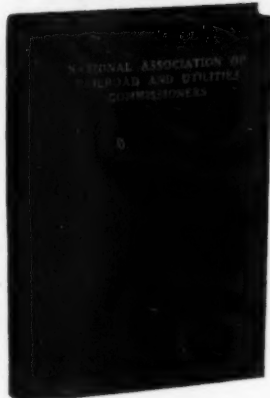
They were told that substations literally can be "dropped" in anywhere on the system to take care of present and future load demands.

And with a little incidental landscaping, the substations became an inconspicuous part of the community.

We'd like to show you more examples of how other utilities integrated G-E unit substations into their planning. We'd also like to tell you about the many advantages—such as lower costs and increased reliability—of G-E load center power distribution. Give us a call at the office, or write for brochure GEA-5155 that shows how other utilities took advantage of G-E engineering and service. *Apparatus Department, General Electric Co., Schenectady 5, N. Y.*

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This manual is the result of the NARUC and FCC Joint Committee studies, and develops a system of procedure providing for allocating telephone operating expenses and investment among exchange, state toll, and interstate toll service on both the board-to-board and station-to-station bases of rate making. (This manual is not included in the volume of Proceedings above referred to.) (Printed, 87 pages)

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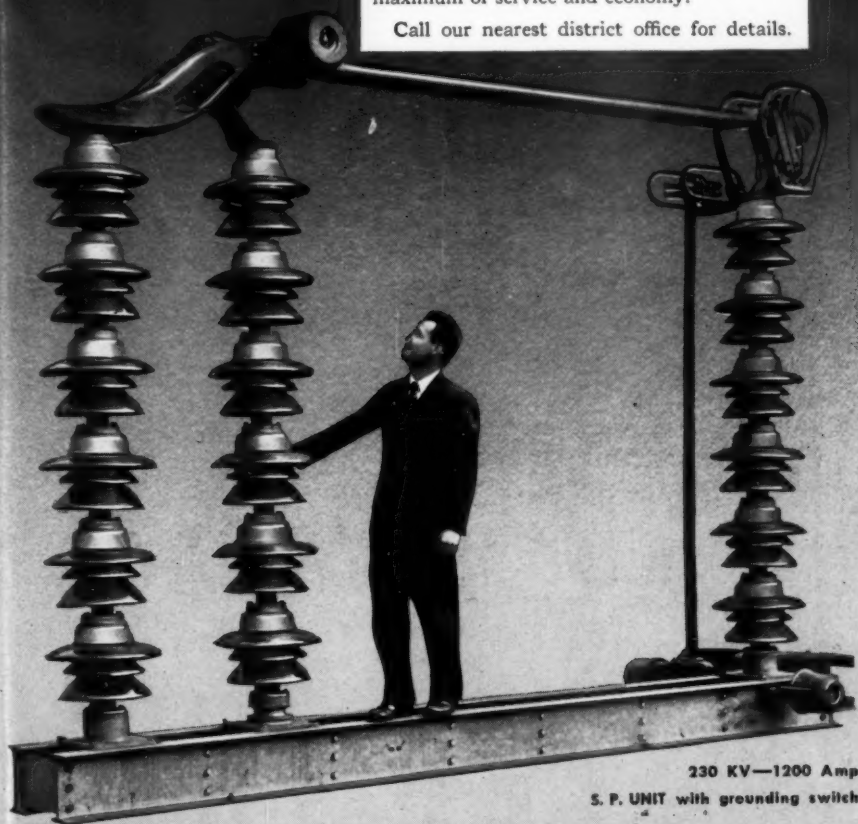
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